Argentine ministers burn the midnight oil, Page 13

No. 30,038

Monday September 22 1986

D 8523 B

Poll gives Kosmos support

World news

to French leaders Bergesen

French public opinion appears to be rallying strongly behind President François Mitterrand and Prime Minister Jacques Chirac, according to an opinion poll published as fresh threats of violence against

In the wake of the Paris bomb-ings last week, the so-called Solidarity Committee for the release of the market reacted to comments that West Germany would be extended unless its "fire" would be extended unless.

France denied an accusation by a pro-Iranian group in Beirut that it was hindering the return to Paris of two Irani dissidents it expelled to Baghdad in February. Page 2

Soviet-Israeli talks

Israeli Prime Minister Shimon Peres is likely to delay his return from the US today to meet Soviet Foreign Minister Eduard Shevardnadze in New York.

N-safety summit

Ministers from more than 100 countries meet in Vienna on Wednesday to try to agree tighter international rules for nuclear safety following the Chernobyl disaster. Page 9

Poles defy ban

Delying warnings by the authorities to keep religion out of politics, tens of thousands of Poles demonstrated support for the banned trade union Solidarity at a workers' pilgrimage attended by Lech Wale-

Sudan food flight

A C-130 Hercules transport chartered by relief groups is expected to fly food and medicines to the fane-stricken southern Sudan city of Malakal this week, a United Nations spokesman said in Khar-

Expatriate apathy Only 1 per cent of expatriate Brit-

ons have registered to vote in gen-eral elections with two and a half weeks to go before the October deadline. Page 8 Bombs rock Sri Lanka

A series of bombs set off by Tamil

separatists rocked Sri Lanka's east-ern city of Batticaloa despite the imposition of a 17-hour curfew. No-

Pardons in Iran

Ayatollah Khomeini has relaxed the rules for pardoning jailed members of opposition groups in Iran and told his designated successor that most of the women inmates in Tehran's main prison would soon

Gibraitar's fear

Gibraltar governor Sir Joshua Hassan said Gibraltarians fear being abandoned by Britain during the negotiation process with Spain

Rubber bullets fired

Police in Pampiona fired rubber bullets and tear gas to disperse crowds protesting in the northern Spanish city against the expulsion from France of suspected Basque

Anti-Nato protest

About 1,000 demonstrators daubed cars and buildings with paint as they marched to Amsterdam harbour to protest at the presence of 22

Colonel shot dead

Colonel Ramirez Diaz of the Peruvian police medical service was shot dead on a Lima street, apparently

by left-wing guerrillas. Manseli's easy win

Britain's Nigel Mansell had a convincing victory in the Portuguese Grand Prix, putting himself within one race of the world drivers' cham-

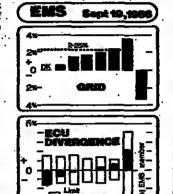
poised to acquire

Business summary

KOSMOS, Norwegian shipping, rig-owning and industrial group, seems set to acquire the Bergesen ship-ping and industrial group in what could be Norway's largest ever takeover deal. Page 21

EUROPEAN Monetary System: The D-Mark rose sharply last week as the market reacted to comments three prisoners held in France were and Belgian central banks both sold freed.

D. Marks in order to contain a build-



up of pressure on the weaker cur rencies but the Danish krone was still trading close to its lowest per-mitted level both against the D-Mark and in Ecu terms. The dollar's sharp fall against the D-Mark encouraged a switching out of the weaker currencies and into the D-Mark, so creating further pressure.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based in the weakest currency in the system, defines the cross rates from which no currency (except the lim) man more more than 2% per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currency Unit (ECU), itself a basket of European currencies.

VENEZUELA will make a \$750m "down payment" to foreign banks starting in November as part of a \$21bn debt restructuring agreement signed in February, an official at the Venezuelan Finance Ministry said. Page 3

n Ura

WORLD BANK said in its annual report that developing countries' hopes of accelerating growth foun-dered in the past year as economic activity in the industrialised world slowed. They now faced a struggle to restore their economies and credit worthiness. Page 18; Details,

REGULATORY accord between US and Britain for securities and fu-tures markets is due to be unveiled

tomorrow. Page 18.

HUTCHISON Whampon, Hong Kong-based conglomerate, con-firmed that it had purchased 4.9 per cent of the Pearson group, which owns the Financial Times, and was negotiating about acquiring several parts of the group. A full hid for Pearson was ruled out. Page. 22

SAGA Petroleum, Norwegian oil in-dependent troubled by cash flow problems, is to seek NKr 535m (\$74m) of fresh capital from the market Page 19

ASSICURAZIONI Generali, Italy's leading insurance group reported a 34.6 per cent increase in its 1965 consolidated net profit, to L334.2bn (\$241m). Page 19 ...

COCOA ASSOCIATION of London. which groups producers, traders and manufacturers, has invited Ivo-ry Coast, the world's biggest expor-ter, to become a member.

CHINA has given permission for Shanghal industrial centre to bor-row money on international financial markets to speed growth. Guangdong Survey, Section II

We apologice to readers who did not receive Saturday's edition. This was a result of production difficulties in London.

EEC urges stable \$ and prepares to defend EMS rates

By Quentin Peel and Philip Stephens in Gleneagles, Scotland

FINANCE Ministers and central bank governors of the 12 EEC mem-ber states agreed at the weekend on a united front aimed at persuading the US to stabilise the dollar's value and end current upheaval in the in-

ternational currency markets.

The Gleneagles talks were marked by exasperation over US economic attitudes and policies, tempered by the realisation of a need for co-ordination to cope with the international economic uncertainty and the continuing debt cri-

The finance ministers expressed anger and dismay at last week's apparent attempt by Mr James Baker, the US Treasury Secretary, to "talk down" the dollar in response to the West German Bundesbank's refusel to sanction a further cut in its dis-

Central bank governors meeting in the wings of the informal gathering at Gleneagies, the Scottish golding resort, agreed on concerted action to defend the parities of the currences in the exchange rate me hanism of the European Monetary System (EMS) when the markets reopon today.

Denmark in particular was ade-mant that there should be no deval-uation of the Danish krone, which

The West German Government is ready to legalise private investment in Ecus, the European currency unit, provided that other EEC states such as Italy and EEC states such as Italy and France make further progress in liberalising their capital move-ments. The assurance was given at the weekend by Mr Gerhard Stoltenberg, the West German Finance Minster, to fellow Com-munity finance ministers. Page 3

The Finance Ministers refused to bring direct pressure to bear on Bonn for an interest rate cut, as the US wishes, although some argued ment also involved an undertaking that it could be psychologically by the US Government to reduce its helpful to head off upward pressure on US rates. They were careful not to rule out action by the Bundesbank, but adamant that the decision

He declined to comment on the decision to comment on the label West Comment on the label was a label of the comment on the label of th be left to West Germany.

chairman of the meeting, said: "I think the possibility at some stage of a reduction in interest rates in Germany has not disappeared, but that is a matter for the German Government or, more correctly, for the Bundesbank."

services in new round

BY WILLIAM DULLFORCE AND IVO DAWNAY IN PUNTA DEL ESTE

A NEW round of multilateral trade establishment of a Trade Negotia-

negotiations - described yesterday tions Committee (TNC) before the as the most difficult and complex end of October. The aim is to comice will be launched before Deplete the new round within four

The new round of talks under the General Agreement on Tariffs and Trade (Gatt) will make a concerted opened the way for the most diffi-

attempt to bring agricultural trade within their scope for the first time.

The 92 Gatt signatories, meeting

This weekend's successful conclu-

agreed that talks will now open on gaining over the terms of a new how to liberalise international trade round, will, it is hoped, reduce pro-

in services, to define more clearly tectionist pressures in the US Con-intellectual property rights and to seek rules on foreign investment. climate in international trade.

Trade ministers of more than 70 At the moment the final deal was

countries agreed on Saturday to struck in the early hours of Saturcall an immediate halt to the growth in protectionism and to negotiate a reinforcement and expansion of free trade.

sion of free trade.

A ministerial declaration, hammered out last week, requires the EEC and a dissenting Third

overshadowed by the imminent first anniversary today of the Plaza Hotel meeting in New York, when the US, Japan, Britain, France and West Germany agreed on co-ordi-nated action to ensure an orderly fall in the value of the dollar.

One senior official said the Europeans believed the US should be

ready to intervene to support the dollar, along side the European cen-tral banks, if it continued to slide. tral banks, if it continued to slide.

Mr Lawson said after the talks that-all were agreed it was "important to keep what one might loosely call the spirit of Plaza alive – that is to say, a degree of co-ordination between the major countries."

He added that the Plaza agreement also involved an undertaking by the US Government to reduce its.

turmoil in the foreign exchange markets, but said in a clear rebuke Mr Nigel Lawson, the British markets, but said in a clear rebuke Chancellor of the Exchequer, and to Mr Baker. One of the problem we have suffered from in the past few days is that there has been a great deal too much loose talk on Continued on Page 18

Private Ecu investment in W. many, Page 3; Strong words for Mr Baker, Page 16

pinged on their special interests.

The general satisfaction with the

result of five days of frenetic di-

plomary augurs well for the new "Uruguay round", Mr Paul Chan-non, the British Trade Secretary

parameters of the negotiations have been defined that the real

hard bargaining will begin.

Agreement to the key ministerial

declaration, announcing the new round, came after all-night talks on

Saturday. Throughout the week, the delegates had been bogged

The new round, Page 6; Editorial comment, Page 16

Continued on Page 18

US and. Moscow fail to set date for summit By Stewart Fleming, US Editor, in Washington

MR GEORGE SHULTZ, the US Secretary of State, said yesterday that although the US believes a su-perpower summit is desirable, no date was set during his two days of talks with Mr Eduard Shevardnadze, Soviet Foreign Minister, on Friday and Saturday in Washing

Interviewed on US television yes terday, Mr Shultz also made it clear, without explicitly spelling out the linkage, that the case of Mr Nicholas Daniloff, the US journalist charged in Moscow with espionage, remains a major obstacle to a summit meeting. "It is most unlikely we could have a fruitful meeting in the

Asked what he thought Mr Shevardnadze would tell Moscow about the talks, the highest level discus-sions between the US and Soviet Union in 10 months, Mr Shultz said: "I assume he will tell them there is a very strong determination here that Mr Daniloff be released.

The US believes that Mr Daniloff was arrested in retaliation for the US decision to arrest Mr Gennadi Zakharov, a Soviet employee at the United Nations, and charge him with spying. In comments by Mr Shultz and Mr Shevardnadze following the two days of talks, it ap-pears that both sides are focusing reasing attention on this aspe of the case

of the case.

Mr Shultz said yesterday of the arrest of Mr Zakharov and last week's decision to order the expulsion by October 1 of 25 members of the Soviet mission to the UN that "we are not going to tolerate the use of the UN mission as a way to spy on the US."

At a press conference on Sature Gatt includes farm trade,

At a press conference on Satur-day Mr Shevardnadze described the order as "unlawful," adding: "We will respond." Mr Shultz yesterday binted strongly at US retaliation in World group, led by Brazil and In-dia, unanimously welcomed the out-come, claiming that compromises made during the talks had not im-

The 14 hours of meeting between Mr Shultz and Mr Shevardnadze have done little in public anyway to dispel the confusion surrounding IS-Soviet relations at present, On the one hand, there are the nouncements from Stockholm and the heavy hints of progress at the arms control talks in Geneva, particularly on intermediate range phasised that it is only now that the missiles in Europe, which suggest a narrowing of differences on substantive issues.

Mr Shultz made it clear yester-day that in spite of the urgings of conservatives that he restrict the agenda to the Daniloff case, he had discussed a wide range of substan-

Reason hesitates to go for the hig one, Page 17

East and West agree to cut risks of war

BY ROBERT MAUTHNER IN STOCKHOLM

ropean neutral and non-aligned countries yesterday reached agreement on a significant series of confidence-building measures aimed at reducing the risks of war. The agreement will oblige partici-

able to concentrate large military tanks is mandatory in the Stock-formations to threaten another bolm agreement state without prior notification or detection, as the Soviet Union did in more than 75,000 troops can now its exercise on the Polish border in take place at less than two years

THIRTY FIVE nations representing for manoeuvres were contained in all the Nato, Warsaw Pact and Euthe Final Act of the Helsinki Conference on Security and Co-opera-tion in Europe in 1975, the present agreement goes much further.

The Stockholm measures are applicable to the whole of Europe from the Atlantic to the Urals while pants to give advance notice of all the Helsinki agreement, as far as manocuvres above the level of any Moscow was concerned, covered on-army division, and, for the first ly a 250 km strip on the Soviet time, force countries to accept on-Union's western border. The notifiby a 250 km strip on the Soviet Union's western border. The notifi-cation 42 days in advance, of all milsite inspection of military activities cation 42 days in advance, of all milboth from the ground and the air. itary activities, involving more than As a result, countries will not be 13,000 troops and more than 300

notice, while at least one year's no-The agreement, which only retice must be given for exercises of mains to be formally adopted at a plenary session today, was hailed Other important features of the mains to be formally adopted at a plenary session today, was hailed as one of the most important break-throughs in East-West relations for provides for both ground and aerial imspection and verification of milimspection and that member The agreement at the Conference tary exercises and that member on Confidence And Security-Build-states are obliged to invite repreing Measures And Disarmament in sentatives from other nations to ob-Europa (CDE) was reached after serve the manoeuvres of ground more than two and a half years of forces numbering more than 17,000 laborious negotiations in the first troops. Any nation which has major East-West security pact since the conclusion of the Salt II agree the conclusion of the Salt II agree the military exercises in most than 17,000 laborious negotiations are the manoeuvres of ground in the first troops. While confidence building mea-sures such as the notification of ma-

Rover may offer UK car plant to Honda

BRITAINS state-owned Rover to go ahead with the second phase Group is considering making a of its UK assembly plant to produce plant at Cowley, Oxford, available cars at the rate of 100,000 a year by to Honda of Japan for assembly of 1991.

Its cars for sale in UK and other European markets.

Options before presenting the Rover Country and the Coun

cars subsidiary. His review is believed to call into question the future of Austin Rover's south assembly works at Cowley, which produce

plus to requirements.

Mr Day disclosed part of his
thinking when he told the West
bly works at Cowley, which produce the Maestro and Montego models. Industry that Austin Rover would The Honda option is one possibilihave a battle to hold on to its presty, with Honda taking a small equi- ent market share of 15 and 17 per

Honda has already acquired a satheter to market penetration dramatically within a couple of years.

330-acre site nearby at Swindon to establish an engine plant. Use of the Cowley assembly facilities recent experience reconcile itself to build 750,000 cars a year, must on the Cowley assembly facilities recent experience reconcile itself to build 750,000 cars a year. would give Honda a low-cost route building about 450,000. to compete against Nissan of Japan, which this month announced plans Continued of

Mr Greham Day, chairman and Group corporate plan to the Gou-chief executive of the Rover Group, formerly BL, is reviewing the oper-ation of the Austin Rover volume ready emerged as potentially sur-

ty stake either in the Rover group cent. It was not foreseeable for any or in a specially created joint com- UK-based assembler to increase

Continued on Page 18

De Larosiere will resign early

managing director of the Interna-tional Monetary Fund (IMF) for the past eight years, will announce his resignation at the annual meetings

Mr Lamberto Dini, deputy governor of the Bank of Italy, and Mr Onno Ruding, the Dutch Finance Minister and chairman of the IMF's poli-

early for governments to make a are entering a new phase in their definite offer to the Dutch minister, handling of the world debt crisis. In as other contenders might emerge. Mr Ruding's performance at the an-nual meetings would be watched

There has been intermittent spec- and the Fund which is envisaged ulation since last year's annual under the proposal of Mr James

week, officials confirmed yestarday.

This news immediately set off presenting the IMF head with an speculation about successors.

The head of the IMF, by tradition, is a European. The front-runners for the post are thought to be so have played a role in his decimal thanks, in beloing to contain the Mr Lamberto Dini, deputy governor sion. The IMF is shortly to embark on tably he has been associated with negotiations with member govern-ments for a new increase in its financial resources. The talks are ex- that the institution has placed too pected to be difficult, and Mr de

> would not be long enough to allow him to see the process through to its loans. The recently announced agree its conclusion.
>
> Moreover, both the DMF and its sister institution, the World Bank, the case of the World Bank a new the direction of greater flexibility in president, Mr Barber Conable, has IMF lending conditions, and it may already taken office. Given the closer co-ordination between the bank

as IMF managing director BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR JACQUES de Larosiere, the meetings in South Korea that Mr Baker, US Treasury Secretary, for

of the IMF and World Bank next Jacques Chirac as Prime Minister week officials confirmed yesterday. In France was seen as possibly This news immediately set off presenting the IMF head with an

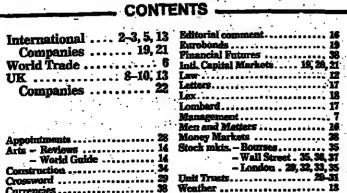
cy-making interim committee. Senior officials at informal talks of European Community finance ministers and central bankers, held at Gleneagles in Scotland, said that Mr Ruding had emerged as an early favourite.
The officials said that it was too

trying to accelerate economic growth in developing countries – the so called "Baker plan," which was announced a year ago in Seoul arguably a change in the leader-ship of the IMF is also opportune. the IMF's unpopularity in developing countries which have argued much emphasis on economic ad-justment or susterity in the condi-tions it has insisted on in return for Larosiere's remaining term of office

> ment in principle for a new IMF lending programme for Mexico, ne-gotiated by Mr de Laroslere, is widely seen as signalling a shift in be that for this reason, too, a change at the top of the institution is seen as opportune.

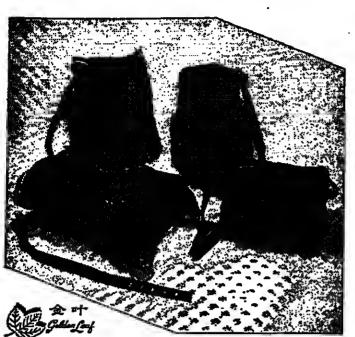
World Bank report, Page 18

He'll watch you. He'll steal from you. He'll take your name. He could be standing next to you. A CHEQUE CARD THIEF IS AFTER YOUR CARD DON'T LET HIM GET AWAY WITH IT NAME OF BANK



Plaza accord: strong words Guangdong Editorial comment: Gatt; UK Computer services

Management: exploiting US: Reagan hesitates to go Argentine economy: burning Lex: UK house borrowers car prefixes 16 Survey Section III



"Golden Leaf" Brand canvas bags from Anhui, China, are made of top quality 100% cotton canvas, Of exquisite colours, they are available in all sizes and in a wide variety, including school bags (single and double belt type), hand bags, rucksacks and bags for mountaineers.

The inside is coated with plastics. Our bags are thus waterproof, strong and

China National Light Industrial Products L'E Corpu Anhul Branch Imp. & Exp. Building, Jinzhai Rd., Hefei, China Tel: 61835 Telex: 90016 AHIND CN Cable: "INDUSTRY" Hefet

Cereals, Oils and Foodstuffs From Anhui

Yangtze River and the Husi River and with favourable natural conditions such as fertile soil, mild climate and abundent rainfall, Anhui Province is particularly rich in its agricultural by-products and



native produce. Anhni Branch of China al Cereals, Oils and Foodstuffs I/B Corp. is experienced and strong in foreign se we have handled our own import and export of cereals, oils and

The export volume of our corporation ranks first among all I/E Corps. in Anhai Province. At present, we export over 161 kinds of products involed in 9 categories. They are: cereals and oils, oil products, mear and mear products, egg products, canned goods, aquatic products, sundry goods, fruits and vegetables. These and regions in the world such as Hong Kong, Macao, Singapore, Malaysia, Japan, USA, Canada, USSR, Eastern and Western Europe, Middle and Near East, Oceania, Africa and Latin America. We have established good trade relations with over 400 companies in these regions.

In addition to foreign trade business, Anhui Branch of China National Cereals, friends in the trade circles all over the Oils and Foodstuffs I/E Corp. is also active

world and we are are at your service at all in importing technology and developing

China National Coreals, Olis & Foodstoffs I/E Corp., Anhai Branch Imput and Expet Building, Juzzai Road, Hefri, Chica Tels 60484, 60368 Cable: "CEROILFOOD" Hefri Teles: 90010 ANLTS CN

OVERSEAS NEWS

Terror attacks rally public, Italian markets behind French leaders fear tax on shares

By John Wyles in Rome ITALIAN STOCK markets are likely to open today in a state trends in government fiscal policies following Friday's highly unexpected decision to

The move, which was apparently agreed within the coalition government a fortnight ago, is being seen as another political coup for Mr Bettino Craxi, the Socialist Prime Minister.

tax interest paid on treasury bills and certificates.

Prime Minister.
Therefore on the Milan stock market, whose capitalisation has more than doubled this year, there is an urgent desire to know the Prime Minister's thinking about a capital gains tax on shares. This is the other key tax reform at the centre of a clamorous campaign mounted by the Socialist and Com-munist parties

The market's initial fears

were reflected in its 2.77 per cent fell on Friday after news

Mr Renato Altissimo, the Liberal Party leader, said at the weekend he would be seek-ing an assurance from Mr Craxi ing an assurance from Mr Craxi-that the government would not take aim at capital gains.

Most analysis agree that the new tax, 6.25 per cent until October 1 next year and then 12.5 per cent, will not greatly affect the government's ability to finance its enormous public sector deficit.

However, a key test will come

sector deficit.

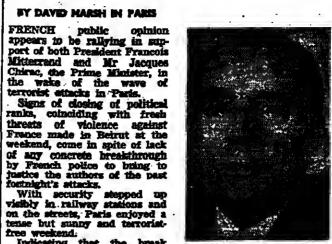
However, a key test will come this Wednesday when the treasury will issue L18,500hn of short-term hills. They are being sold at nominal interest rates which are slightly higher than recent issues. But their after tax yield will be no more than 29 hasis points lower.

It is argued that this amounts

It is argued that this amounts to only a modest reduction in the relatively high level of Italian real interest rates of 45 per cent and should not seriously diminish the attractions of grant recurring a grant recurring. tions of government securities.

More than 60 per cent of the
Government deficit is financed Government deficit is financed with short, medium and long-term ireasury issues and around 50 per cent of government obligations are purchased by private domestic investors.

The political gain for Mr Crarl lies in the fact that having campaigned successfully for a tar, the Socialists have been made to appear the most potent force within the government.



the Elysée with the Defence and Interior Ministers and the head of the French secret

tense but sunny and terrorist-free weekend:
Indicating that the break
after the bloody bomb attack
in the Montparnesse district of
Paris on Wednesday might be
only temporary, the so-called
Solidarity Committee calling
for the release of Middle East
prisoners stepped up its awarings at the weekend.
In communiques issued in determination not to give in to blackmail.

In communiques issued in Beirut, the Committee said its "fire" would be extended unless three prisoners held in France were released.

Anti-terrorist experts believe Beirut, the Committee said its

"fire" would be extended unless three prisoners held in France were released.

Anti-terrorist experts believe the perpetrators of the terrorist attacks might be planning to strike in other countries such as the US and Italy, or to extend their action to the French provinces.

President Mitterrand, who consulted with Mr Chirac immediately on his return from a state visit to Indonesia on Friday, convoked on Saturday to blackmall.

An opinion poll at the weekend indicated a sharp rise in public support for both France's political leaders during the latest period of terrorist attacks, with the crisis apparently soothing strains in political cohabitation between the Socialist President and his right-wing Prime Minister.

The poll published yesterday by the Journal du Dimanche in newspaper indicated that Mr Mitterrand's support ratio had risen six points over the last

month to 57 per cent with Mr Chirac gaining seven points to

Socialist Party leaders, con-sulted by Mr Chirac in an attempt to unite the nation; forces against terrorism, have on the whole been giving the Government support over the past few days.

However scepticism over the Government's security policies is likely to grow unless the police can come up shortly with firm evidence of counter-

action.

The police still believe the family of Mr Georges Ibrahim Abdallah, the alleged terrorist leader held in a French jall, carried out recent attacks designed to secure his release, in spite of the well-publicised presence of his brothers at presence of his brothers at their home in northern Lebanon at the end of last week.

The uneasy colm in France

The uneasy coim in France coincides with an upsurge in tension over the French presence in Lebanon,
Louis, Fares in Damascus adds: The Popular Front for the Liberation of Palestine (PFLP) of Dr George Habash yesterday denied allegations that it was involved in the recent Paris bombings and denounced the attacks as "atrocities."

The statement quoted Colonel

The statement quoted Colone Abu Ahmad Fouad, commander of the PFLP forces as denying that Abdallah had anything to do with the PFLP. It also denounced the attacks against Unifil in South Lebanon.

Israel rejects UN charges

ISRAEL HAS angrily rejected the United Nations' charges that its pos continued presence in southern Lebanon is responsible for the Lebanon is responsible for the recent spate of violence in the region, including the deaths of four French peacekeeping soldiers. Mr Yizhak Rabin, the Defence Minister, said yesterday

force drawn from eight nations were prompted by an internal struggle within the Lebanese Shi'ite community and were not connected with Israel in any

way,
Over the weekend, Mr Shimon
Peres, Israel's Prime Minister,
met Mr Perez De Cuellar, the
United Nations secretarygeneral, in New York to discuss the United

the increasingly precarious positions of the Unifil forces in Lebanon. Earlier, the secretary-general had warned that the UN Security

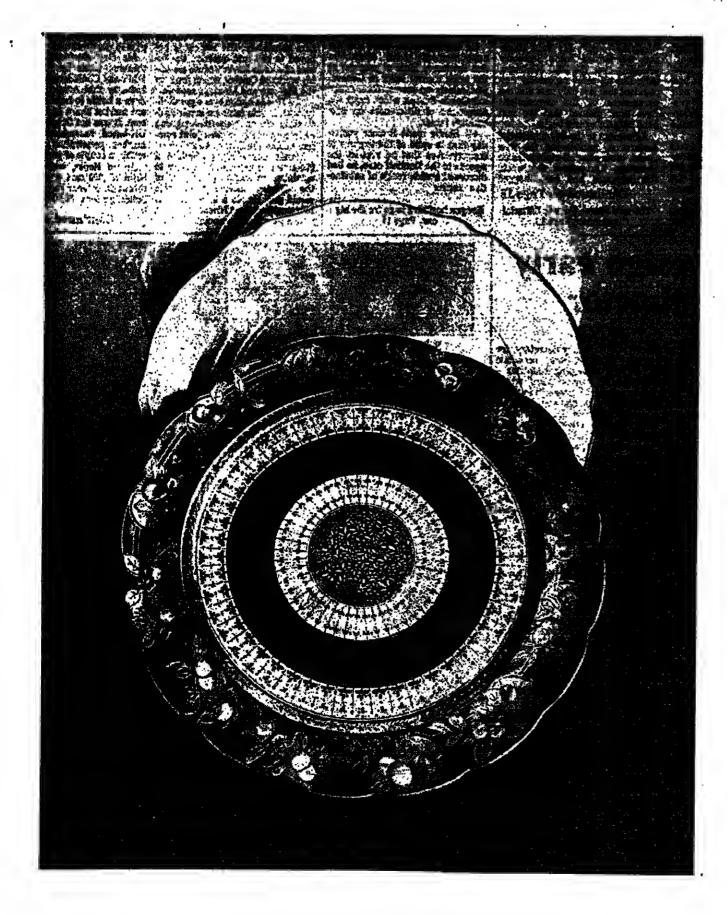
Council may have to withdraw the force—deployed in the said region since March 1978—if in progress were not made soon in compelling Israel to withdraw back to the international architecture. frontier.

speaking arear yesteriay's regular cabinet meeting in Jerusalem, Mr Rabin rejected outright any possibility of larael permitting Unifit to deploy down to the border, in the "security sone" currently occupied by Israeli forces and their allies, the South Lebanon army.

General Moshe Levy, Chief of Staff of the Israel Defence Forces, who described the UN demand as "a cover to avoid the real issue." General Levy said Unifil had become trapped Lebanon, Mr Rabin confirmed that

larael is to step up its assistance to the SLA, to whatever levels were necessary to help the Christian Militia fight off its opponents.

Reuter adds from the UN: Mr
Shimon Peres, the Israeli Prime Minister, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, will meet today at UN headquarters, an



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And because we have ordinary price.
ordinary service at a very ordinary price.

They set us apart.

Bankers Trust Company Clearing bank to the world's banks.

Bonn ready to legalise private Ecu investment

THE WEST GERMAN GOVERN ment is ready to legalise private investment in Ecus private investment in Ecus
the European currency unit
increasingly widely used for
Europonds and trade transactions — provided other EEC
states such as Italy and France
make further progress in liberalising their capital movements.

That assurance was given at the weekend by Mr Gerhard Stoltenberg, West German Finance Minister, to his fellowcommunity Finance Ministers.

Hitherto, the West German Bundesbank has refused to sanction the Ecu for private use in the Federal Republic on the grounds that, as a basket of all the EEC currencies, the unit is effectively index-linked, and therefore banned under West German law.

ment bringing stering into the exchange rate mechanism of the European Monetary System (EMS), another long-standing West German demand, but not Mr Stokenberg's statement, confirmed by senior West German officials after the informal meeting at the golf resort of Gleneagles, Scotland, backed earlier reports that the Bundesbank directors had softened the occasion.

However, Mr Giovanni Goria,
Italian Finance Minister, did
make some linkage in responding to the West German move.
He said the Italian Government
was prepared to ease capital
restrictions, and to contemplate
a narrower band for the fluctuation of the Lira in the EMS
— but not all at once. the occasion. their opposition to use of the composite currency.

The pre-conditions leid down by Bonn are that those member-states still maintaining restrictions on capital movements—of whom Italy and to a narrower hand for the fluctuation of these restrictions, and to contemplate a narrower hand for the fluctuation of the Emby the first on of the Lira in the Emby the reduction of these restrictions, according to Mr Nigel Lawson, the British Chancellor of the Exchequer and chairman of the meeting.

He sam the state was prepared to ease capital restrictions, and to contemplate a narrower hand for the fluctuation of the Lira in the Emby the fluctuation of the Emby the fluctuation of the Emby the same that the same the same the same the same the same that the fluctuation of the Emby the fluctuations, and to contemplate a narrower hand for the fluctuation of the Lira in the Emby the first to more of the discipline of the Emby the fluctuations, and to contemplate a narrower hand for the fluctuation of the Lira in the Emby the first to more of the circles of the Lira in the Emby the first to more of the discipline of the Emby the fluctuation of the fluctuation of the fluctuation of the Emby the fluctuation of The pre-conditions laid down the monetary committee which warned that liberalisation would require further steps to

Mr Stoltenberg was careful to respect the strunch independence of the Bundesbank, simply promising "to recommend to the Bundesbank to change" the application of the change" the application of the law on indenation as it affects the use of the Ecu. He was not the use of the Ecu. He was not bring them under control. proposing to change the law itself.

He also did not insist that the private Ecu presented no he West German move be grave problems for monetary linked to the British Governthe West German move be linked to the British Govern-

Socialist vote falls in Austria

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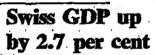
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mic policies. Those countries with excessive budget deficits should take early action to bring them under control.

The monetary committee con-

Mr Gerhard Stoltenberg ment bringing sterling into the

AUSTRIA's ruling Socialist Party saw its vote decline sharply in elections to the Provincial Parliament of Styria BOOMING demand for capital goods fuelled a further growth in the Swiss economy in the second quarter, according to a Government report from Berne, reports John Wiels from yesterday, the last major test of public opinion before the general election in November, reports Patrick Blum from

Vienna.

According to preliminary an average of about 5 per cent at comparison with the same to 37.6 per cent of the vote, compared with 42.7 per cent in In real terms, investments in equipment were up by as much as 16.9 per cent over the second

The conservative People's Party retained its absolute majority, increasing its share by 1 per cent to 51.9 per cent. quarter of last year. For imports of goods and services as a whole, prices were down over the year by as much as 9.5 per cent. As a result, the overall value rose by only

The various "green" lists, standing for the first time in the provincial elections, appear to have done best, winning about 4 per cent of the vote. **FINANCIAL TIMES** Published by The Financial Times (Europe) Led., Frankfurt Branch, represented by R. Hugo, Frankfurt Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClotto, G.T.S. Denner, M.C.

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RESULTS FOR THE YEAR ENDED JUNE 30, 1986

Extraordinary items (11.498)(10,541)Earnings (loss) per share:
Before extraordinary items
Net loss

The deficit on extraordinary items arose from payments of US\$1,905,000 (1985: US\$1,194,000) made to De Beers Consolidated Mines Limited relating to obligations in respect of Botswanz RST Limited (BRST) and its subsidiary, BCL Limited (BCL): a provision of US\$6,100,000 against future payments, including interest of US\$1,290,000, in respect of BRST and BCL; and from a write-off of exchange losses on assets awaiting externalisation from Zambia and Zimbabwe amounting to US\$4,085,000.

The directors have not declared a dividend in respect of the financial year ended June 30, 1986.

The Corporation's principal investment is 0 27.3 % interest in Zambia Consolidated Copper Mines Limited (ZCCM), whose results for the year ended March 31, 1986 are given below. No dividends were declared by ZCCM.

614.451

The annual report at June 30, 1986 will be posted to shareholders on or about October 14, 1986. Copies may be obtained from the UK Transfer Agent: Hill Samuel Registrars Limited, 6 Greencoat Place, London SWIP 1PL.

UK likely to maintain contacts with ANC

THE BRITISH Government is expected to maintain its contacts with the African National Congress (ANC), the nationalist organisation which is banned in South Africa, following the week-end meeting between Sir Geoffrey Howe, the Foreign Secretary, and Mr Oliver Tambo, the ANC president, Sir Conference and Mr Tambo Sir Geoffrey and Mr Tambe had two hours of talks on Saturday to discuss South Africa and ways of ending apartheid in the country. apartness in the country. The discussions, which were described as "open and candid." represented the highest-level meeting to take place between the British Government and the ANC. Government and the ANC.
After the talks, the Foreign
Office said that a dialogue
between the two sides was
now expected to continue "at
a variety of levels," although
no commitments to any
further meetings had been

The British Govern has been reinctant to talk to the ANC because of its refusal to reject violence as a means of ending apartheid, although Mrs Lynda Chalker, the junior Foreign Office minister, met ANC representatives in June.

tatives in June.

Mr Tambo did not see Sir Geoffrey during his two visits to southern Africa in July. The ANC leader objected to Sir Geoffrey's role as the representative of the EEC countries and said a meeting should not take place until after the Commonwealth mind-summit, which took place in London in August.

Sir Geoffrey used Saint-Sir Geoffrey used Saturday's meeting to underline the wish of British and other EEC governments to see a quick and peaceful end to apartheid. Ho reiterated British opposition to all-out, mandatory sanctions against South Africa and asked Mr Tambe to take a lead in call-ing for an end to violence.

ing for an end to violence.

The ANC leader welcomed the government's demands for the release from prists of black leaders, including Mr. Nelson Mandela, but said that violence could only end if the South African government halted what was described, as institutional violence and state terrorism."

Anthony Robinson adds from Johannesburg: The weakend meeting between Sir Geoffrey Howe and Mr Oliver Tambo was greeted with a steny official silence in Preturia. The South African Government's views an such talks were given by President Botha at the opening of the Botha at the opening of the

Bothn at the opening of the Transvaal provincial congress of the rating national party on Friday night.

In a speech blaming foreigness for stirring up "an artificially contrived time of rising expectations in South Africa," Mr. Botha said "nebody must labour under the illusion that they can force us into negotiations with radical elements."

1985 US\$000s

(644) (1,194)

(1,838)

US cents

525,811



Binding Stockholm accord boosts peace hopes

Europe (CDE), is the first major accord are mandatory and East-West security accord sinco politically binding, while the 1979 when the Salt 2 strategic Helsinki measures were arms limitation treaty was voluntary.

Nato and Warsaw Pact military activities will become more transparent, which is eimed at preventing armed bostilities from breaking out by accident. Its provisions, which for the first time provide for an obligatory system of notification of significant military activities which take place in Europe, while the Helsinki scope, purpose and obligatory system of notification were described as "major of significant military activities which take place in Final Act opplied only to what were described as "major of significant military activities which take place in Final Act opplied only to what were described as "major of significant military activities which take place in Final Act opplied only to what were described as "major of significant military activities which take place in Final Act opplied only to what were described as "major of significant military activities which take place in Final Act opplied only to what were described as "major of significant military activities which take place in Final Act opplied only to what were described as "major of 25,000 troops and above.

Finally, the latest agreement is verifiable thanks to an effective inspection system, while the Helsinki occord did not include any verification provisions.

The agreement is a substantial improvement over the confidence-building measures contained in the 1975 Final Act agreement:

THE AGREEMENT reached in of the Helsinki Conference on Stockholm yesterday at the Security and Co-operation in 35-nation Conference on Confidence and Security-building offshoot. The most important Measures and Disarrament in provisions of the Stockholm

signed.

Though it does not include ment applies to the whole of any arms control measures Europe, from the Atlantic to proper, and does not provide the Urals, while the Helsinici any absolute guarantee that ogreement exempted all the future wars will be prevented. Soviet Union's territory except Nato and Warsaw Pact military for a 250-km band along the activities will become more country's western border.

Robert Mauthner spells out the details of the East-West agreement reached yesterday

• Notification: All significant military activities involving more than 13,000 troops and 300 tanks must be announced 42 days in odvance, including detailed information ebout the scope, purpose and location of the activities and the forces

• Annual calendar: All tho participants are required to exchange by November 15 of each year a list of significant military ectivities which they intend to carry out during the coming year.

Activities involving 75,000 roops or more must be nnounced two years in

if only one year's notice is

So-called military "alerts," states had wanted the inspect-under which troops are called ing aircraft to come from a out without notice for short periods to test their prepared.

Any state has the right to ness, must be notified immedienter the territory of another etely they have taken place and state to determine whether a are subject to observetion by military activity fails to meet other countries if they go on the obligations of the agreement for longer then 72 hours.

• Observation : Signatory states are required to invite observers from all other participating states to ottend military activities involving 17,000 troops and Non-use of force: The parti-which otherwise meet the cipants reaffirmed their commit-

prohibited. Activities involving stages and forced it to be exten-40,000 troops or more up to the ded, was finally solved by a level of 75,000 should also be formula under which the announced two years in inspected state effectively has odvance, but are still permitted the last say and can always provite its own aircraft and crew if it wants. Originally, the Nato

> -a so-called "challenge" tion. No state needs to allow more than three inspections on its territory in one year or to accept more than one inspection from any other single stato.

ment to refrain from the threat The ogreement provides for ground and aerial inspection to verify compliance with the verify compliance with the commitments undertaken by the participating states. The dispute over the nationality of the inspecting aircraft, which held

Canada lifts budget deficit target

pressed energy and grain pro-ducers have forced the Canadian Government to raise its budget deficit target for the current fiscal year.

Minister, told a meeting of business and civic leaders in Toronto
that the deficit in the year to
march 31 1987 was likely to has been a concern in financial

A SLOWING economy and ris-ing official support for hard-mitted to achieving "sizeable" Canadian currency both before year-on-year cuts in the deficit, and after Mr Wilson's announce The shortfall in 1985/86 was ment-C\$34.5bn.

Canada's budget deficit, equal Mr Michael Wilson, Finance to more than 7 per cent of gross rise from the original estimate markets. An unusually wide tax inc of C\$29.5bn (£14.5bn) to about spread between US and Cana-to rest C\$32bn.

The Canadian dollar traded at around 72 US cents last week following o five-point increase in the bellwether Bank of Canada rate on Thursday to 8.63 per

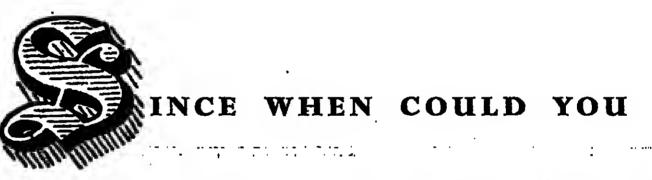
Venezuela to repay \$750m principal to foreign banks

BY JOE MANN IN CARACAS

A HIGH official at Venezuela's from meetings with foreign Ministry of Finance said this bankers in New York. He also weekend that the government will make e "down payment" of \$750m (£507m) to foreign banks starting in November as part of a \$21bn debt restructuring agreement signed last February Covernment's intention to

Mr Wilson ruled out further tax increases or spending cuts to restore bis original deficit target.

A 33100 restriction certainty over the Venezuelan agreement signed last February Government's intention to actually make this principal payment in light of a reduction in oil income this year estitute announcement on his return mated at over \$550n.



AFFORD NOT TO WORRY ABOUT

BUY-OUTS AND AVCS?



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They've found our flexible approach can give them just the packages they require.

But best of all, they've discovered that our service allows them more time to do what they

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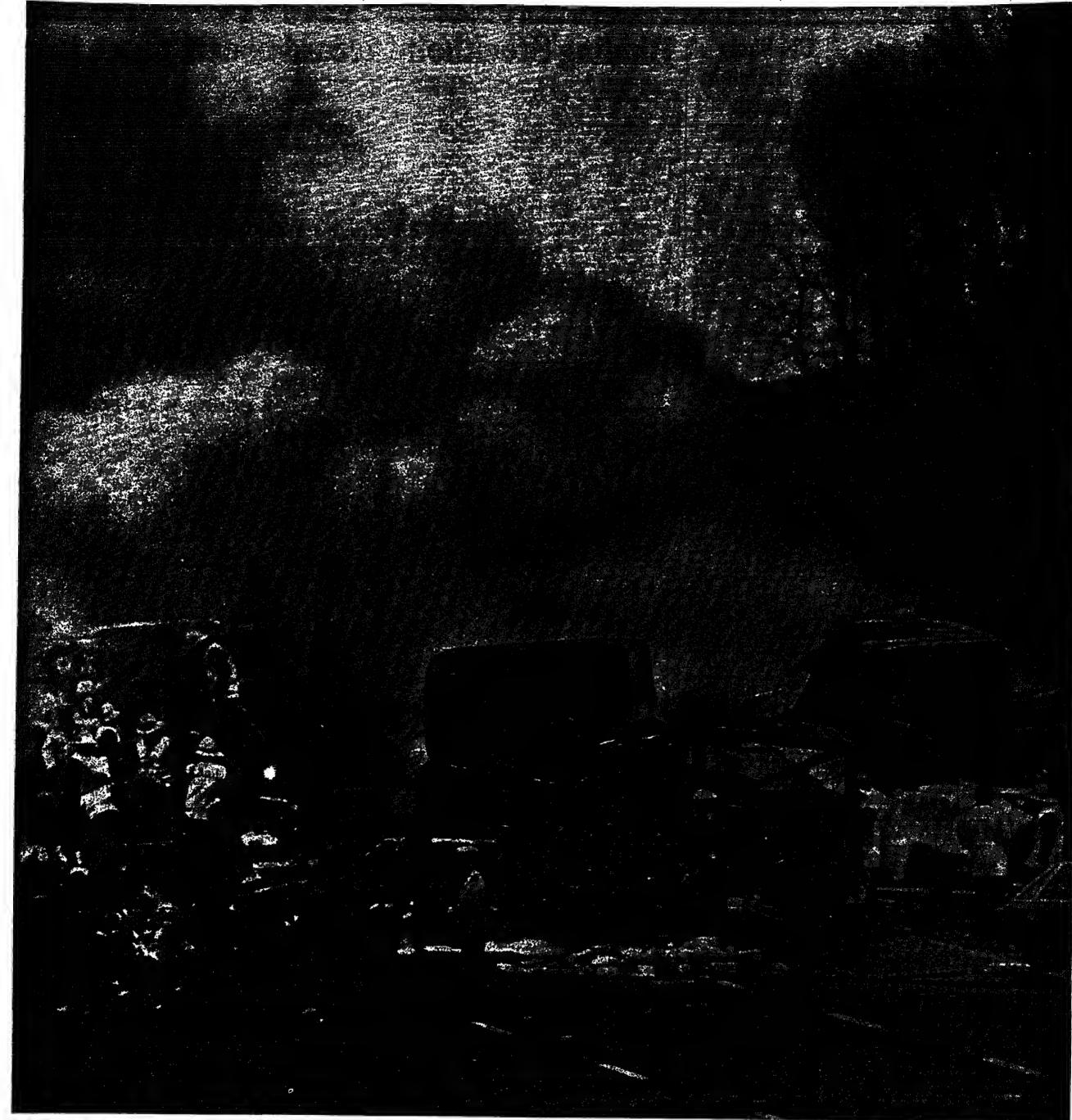
For further details fill in our coupon or ring Sally Hill on 0800 717 111.

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WE'LL LEAVE YOU MORE TIME TO DO WHAT YOU'RE BEST AT



We're no longer prepared just to pick up the pieces.

At least 80% of all road accidents are the result of human error.

At least 80% of all road accidents could therefore be avoided.

With that in mind, consider this...

5,165 people were killed on Britain's roads in 1985. That's 14 lives for every day of the year.

And for every single day, another 855 casualties. Yet 80% of this appalling carnage could have been avoided.

Along with 80% of the crippling financial cost, which last year topped £2,800 million.

We found these facts unacceptable, too.

As unacceptable as the traditional idea that insurance companies are powerless to do anything but clear up after the event.

That's what drove us to re-examine our role.

And that's why General Accident, with the blessings and co-operation of the Department of Transport, has embarked on a determined effort to promote Road Safety.

Because we've realised we do have a significant part to play. And if we can help to reduce that 80%, we will.

Our contribution includes major new Road Safety

Research and the introduction of educational "Interactive" Video machines for schools.

For the family, we're producing a special Road Safety book and "Roadsafe Family of the Year"—a new, annual, national competition.

And another major slice of our £2 million investment goes to enable the D.O.T. to broaden the scope of its Advertising programme.

That's for European Road Safety Year.

For next year, we have further plans in store.

For now, watch this space. And please, please, mind how you go.

General

A radical new motoring policy. For road safety. For life. Accident

Sharp rise in loans for economic sector reforms

BY PETER MONTAGNON, EUI

A SHARP increase in lending to support reform in specific sectors of developing countries' economies is revealed in the World Bank's annual report, published today.

The Bank says that such sector adjustment loans agreed in the fiscal year to June 30 smounted to \$2.28bm (£1.55bm), or 14 per cent of its total lending, compared with \$1.5bm, or 10.3 per cent in the previous year.

Sector adjustment lending is now seen as an important con tribution the Bank can make to support the recovery process in debt-ridden developing countries, bank officials said. It is increasingly regarded as preferable to the less specific structural adjustment lending practised by the Bank in the past which tries to finance a programme for an entire economy.

Examples of sectoral adjustment loans agreed during the fiscal year include a \$500m loan to Brazil, in support of agricultural reforms designed to make its agriculture credit system more market-orientated and reduce rural credit subsides, as well as reforming trades and well as reforming trade and pricing policy for key agricultural commodities. Argentina also received a \$350m loan for agricultural reform, and Colombia e \$250m loan to strengthen its export industry.

Now the Bank has approved in principle a \$500m credit to Mexico to help develop its export capacity as part of that country's latest debt rescue

Developing cour	ntries' econ	omio pe	rforman	ICe
	1902	1943	1904	1785
GDP growth (%)	2.0	2.0	5.4	4.3
Export volume growth (% Current account delicit (\$	3) -0.5	4.7	16.7	2.3
Current account delicit (\$1	bn)			
· Off (importers	64.6	41.4	32.2	35.0
Oil expetters	35.6	- 11.0	1.9	5.5
Total medium and long te	7730			
debt outstanding (\$bu)				
Oil importers	378.2	421.7	450.9	464.7
Oil exporters	173.8	209.9	22A.T	226.5
Wes	td Bank Lending	(\$bn)		
	PE2 1983	1984	1985	1984
	33 11.14	11.95	11.36	13,18
	33 . 6.82	8.58	8.45	8.26

One negative aspect which has emerged is that sector-lending can, even if temporarily, increase the hardship facing the poor in countries where it is applied.

"There may be short-term costs for some, mostly urban, low-income groups," the report says, even if sectoral adjustment is design to replace policies with continuing costs in terms of inflation, growth, employment and social services. Nonetheless the Bank says it regards sectoral adjustment as "a flexible instrument for sup-porting adjustment policies in developing countries" whose im-

portance would not diminish in the foreseeable future. Generally released in periods

sectoral adjustment and disbursement periods will lengthen as loans increasingly finance investment components.

The Bank goes to some pains, however, to stress that its emphasis on sector adjustment lending will not lead it to lose sight of its primary role as a development finance institution

whose lending is tied to specific

projects.
Sector adjustment lending was specifically developed to belp developing countries through the reforms necessitated by the difficult economic

Sector adjustment lending is expected to continue to run at between 10 and 15 per cent of total World Bank lending during the next three years, but in time it is expected that "such lending will diminish as sustained reforms bring about progress in a country's domestic economic environment."

"Recovery to that point to mage waiting in the Middle East Gulf.

Brokers said up to 20 very large crude carriers (VLCCs) were believed to be awaiting cargo in the area, and inquiries for these larger sized vessels were being met quickly.

In the sale and purchase markets appeared to be rising the middle East Gulf.

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SHIPPING REPORT

Dry cargo markets continue to improve

By Keyin Brown

THE IMPROVEMENT in dry argo markets continued last oth Atlantic and Pacific marets for Panamax vessels—ships of 60-80,000 deadweight tonnes, the to pass through the Panama Canal.

Brokers said fixtures for Hrokers said haures for these ships were being reported at up to \$5,000 (£3,387) for Pacific round voyages, with slightly less for trips to Europe. The Panamax grain rate was ixed at between \$7.30 and \$7.50 a ton for delivery from the US Guif to Europe, and the rate for deliveries from the US Guif to Japan was steady at around \$12-\$12.50.

\$12-\$12.50.
The strengthening in rates which has taken place in the Panamax market over the last few weeks has not yet filtered through to the smaller "handy sized" bulk carriers of 25,000 to 40,000 dw tonnes.

Brokers said there was in-

creasing evidence of an improving market for these chips on the Atlantic routes, bowever. A 24,000 dw tonnes ship was re-ported fixed from the lower Baltic to the eastern Mediter-ranean at over \$4,000 a day. environment of the late 1970s and early 1980s, it says, but the consensus remains that the Bank should preserve and build on its traditional strengths, particularly in project design.

Sector adjustment lending is Brokers said up to 20 very large entitle contract (VICC)

Finns face tough Soviet trade talks

decline in prices carve a con-siderable hole in the trade. Finland which When the trade agreement for clearing account.

FINNISH TRADE officials and company representatives going to Moscow this weak are likely to face their toughest-ever negotiations with their Soviet negotiations with their Soviet ounterparts.

The reason for the bleak prospects is the effect of the decline in oil prices on the harter trade agreement between the two countries. This stipulates that exports will be balanced by imports.

The gloomiest predictions part of Finland's exporters face imports from the Soviet Union may fall by as much as 40 per cent.

Finnish exporters face which is particularly attractive when the trade agreement for the trade. When the trade agreement for

A further possibility in that a special account should be set up to handle the excess

surplus next year at anywhere between 20 and 40 per cent of

Hard-currency shortages hit Egyptian imports

BY TONY WALKER IN CAIRO

EGYPT'S IMPORTS fell sharply by about \$25m (£1.35m) in 1935-85, according to the Inter-national Monetary Fund, Publication of the fund's estimates in a survey of the economy co-incided with new customs and tariff regulations aimed at rationalising a cumbersome im-port-export regime.

The drop in the cash volume of imports from \$10.8bn in 1984-85 to \$8.9bn in 1985-86 was reted in Egypt's improved balance of payments figures.

These showed that in the fiscal year to June 1986 the over-all balance of payments deficit was ebout \$1bn, against \$1.6bn the year before. Egyptian ex-ports in 1985-86 totalled \$3.2bn \$600m down on the previous Imports fell this year because

of hard currency shortages. Government measures, such as an effective ban on the impor-tation of cars, were also a major factor. Egypt's trade deficit in 1985-

Main features of the new regulations, which incorporate four basic categories covering banned imports plus those attracting tariffs of up to 110

 Abolition of rationalisation committees that imposed an additional layer of bureaucrats. A ban on 210 items, includ-

86 totalled about \$5.7bn, com-pared with \$7bn the year be-

In Egypt's currency markets,

the open market rate of the Egyptian pound has depreciated several per cent in recent days to about E£1.90 to \$1.

ing motor cars, a wide range of foodstuffs, building materials and household goods; • Introduction of 10 tariff scales ranging up to 110 per cent, compared with 43 pre-

A change to the exchange rate at which Customs duties are levied from E£0.70 to \$1

Ericsson in India deal

BY SARA WEBB, STOCKHOLM CORRESPONDENT

ERICSSON Information Systems, part of the Swedish telecommunications and electronics group, has signed a licensing agreement for the manufacture of its telephone sets in India. sets in India.

The agreement is worth an estimated SKr 350m (£37m)

over the next eight years. Ericsson Information Systems

other equipment. India currently has about 3.5m subscriber lines.

The beeness cover the pro-

considers this an important duction of up to 2m electronic breakthrough in the Indian push-button telephones each market as India does not per-

Source (except US, Japan): Eurostat

World Economic Indicators

AAOUG	LLC	JHOH		uicai	.013
		RETAIL PI (1980 =			% change
iK S S V. Germany rzance taly letherlands lelgium	july 86 145.9 132.7 120.5 162.1 201.8 121.5 142.2 june 86	June 86 146.3 132.7 121.1 161.9 201.8 172.7 142.2 May 86	May 86 146.4 132.1 120.9 161.4 201.0 123.2 142.0 April 86	July 85 142.5 130.6 121.1 158.9 190.8 122.2 141.3 June 85	previous year +2.4 +1.6 -0.5 +2.0 +5.8 -0.6 +0.6
	315.2	115.8	115.0	114.6	+0.5

MISSING THE INDUSTRIAL REVOLUTION WAS THE BEST THING THAT EVER HAPPENED TO THE IRISH.

mat one approach is that it has aroused gress of the programme in the ninterest among borrower countries themselves. But the annual report notes that sectoral adjustment lending is a relatively new policy which only began to assume meaning-ful size three years ago. It is therefore difficult to assess the

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE PLICHT of poor countries

THE PLICHT of poor countries were compounded by the lack of any visible progress towards strengthening their credit-worthiness, says the World Bank in a bleak assessment of prospects for Higher World Countries.

The Bank says that new long-term lending to the developing world lotailed around \$350n (£23.50n) in 1985 but those countries were obliged to repay almost \$55m in interest on outstanding losus.

The economic growth rate. The economic growth rate

to 4.3 per cent in 1985 from 5.4 per cent the previous year. 5.4 per cent the previous year if Brazil, Chion and India are excluded the average was 2.4 per cent, less than half the pace of economic expansion typical

" With deteriorating terms of trade, per captin incomes fell in most of the developing world," the World Bank, headed by Mr Barber Cemble.

The impact of slower growth in world trade and stagoant or declining commodity prices was felt across all regions of the developing world.
Sub-Saharan Africa's GDP



Mr Barber Canable, president of the World Bank

the 1960s and 1970s.

South Korea, for example, which had an historical growth rate of close to 10 per cent, saw that fall to 5 per cent in 1985, while Singapore experienced its first decline in output for 20

eted, bringing a further fall in per capita incomes. Since 1980, the World Bank says, the region's per capita GDP has fallen by 16.6 per cent.

Action 1980 deterior interest rates last year, tain to but much of the benefit was many of their exports.

"The volume of developing erally countries" experts.

22 per cent from 20 per cent to 22 per cent from 20 per cent in the ratio of net long-term debt servicing payments to exports in 1965. The ratio of the value of long-term debt to exports increased from 130 per cent to 136 per cent between 1984 and 1985. "Major obstacles continue to.

confront the successful management of debt problems," the report says. "Many countries have suffered continuous declines in per capits output and even steeper declines in per capita domestic expenditures as trade surpluses to meet interes

The Bank also warns of the dangers of political and social instability in countries which have been forced into a fifth or sixth year of eusterity to meet

foreign debt payments. "In some countries, political institutions have been strained by the restrictive policies that parts of the public view as being needed only to generate repayments for foreign banks," the

report comments.

It says, bowever, that the debt initiative launched at last The report says that heavily year's annual meeting of the indebted Latin American countries did gain from the fall in dollar interest rates last year, tain the potential for successful the same of the contribution of the contr

"The essential elements of a successful strategy are now genthe World Bank says, the region's per capita GDP has fallen by 16.6 per cent.

Asian countries, which rely on manufactured exports, experienced slower exports growth which acted as a brake on the strong pace of in new financing, led to a rise

demand for many of their "The essential elements of a successful strategy are now generally recognised: continued growth in industrialised countries and continued parsuit of from an increase of 10.7 per reforms supported by increased financial flows in developing countries, in an open trade environment."

Daya Bay talks at critical stage

CONTROVERSY over China's plans to build a nuclear power months since the Chernobyl nuclear disaster in the Soviet Union mounted one of the most point this weekend, as a widely-publicised visit of a delegation from Hong Kong comes to an end just days before China signs an agreement committing it irreversibly to the project.

The visit by e group of Hong Kong legislative council members is a waterwheel in the territory's political evolution—not because it is likely to divert China from its decision to go the safety of the council to the project, on the five in the five in the five uncertain cost of the project, on the untested nature of some of the most successful protests the territory has ever seen.

The campaign has the signed backing of about 1m local population. It has wrought division inside the untested nature of some of the equipment, and on China's vacillating views on whether it should exploit nuclear power to meet its urgent energy needs. Peking has backed away from any broad-based plans to use nuclear power, but has chosen to unhold its commitment to an almost-complete plant near Shanghai, and the Daya Bay plant in Gnangdong. This southern Chinase province is a waterwheel in the five of the project, on the untested nature of some of the most successful protests the territory has ever seen.

The campaign has the signed backing of about 1m local would exploit nuclear power to meet its urgent energy needs. Peking has backed away from any broad-based plans to use nuclear power, but has chosen to uphold its commitment to unhold its commitment to an almost-complete plant near shanghai, and the Daya Bay plant in Gnangdong. This southern Chinese province is a province in the counter of the project, on the control of the project.

The campaign has the signed backing of about 1m local province is should exploit nuclear power to meet its urgent energy needs. Peking has backed away from any broad-based plans to use nuclear power, but has chosen to uphold its commitment to unphold the project. China from its decision to go ahead with the \$3.5bn (£2.4bn) ahead with the \$3.5bn (£2.4bn) nuclear Daya Bay plant, but because it is the first time Peking has formally recognised the legislative council as a group entitled to represent the views of Hong Kong people. Nor is the delegation likely to be corresed that China plans

Hong Kong reports on China's recognition of Colony's leaders

Cancellation would retard growth far into the 1990s—a Council, pitched councillor against councillor in often vitriolic debate, and discumfited leaders in London, Peking and

Nor is the delegation likely to be outraged that China plans to sit down later this week with the plant's main contractors—Framatome of France and GEC of the UK—and sign deals intended to have the 1,800 megawatt nuclear plant in operation early in the 1990s.

Members of the group recently drafted a report supporting the project—provided they receive what they regard as adequate assurances from China that there will be proper safeguards against actions or breakdowns.

While delegates will no doubt return to Hong Kong satisfied, they are unlikely to placate opponents to the project. The

prospect that leaders both in Guangdong and Peking have been unwilling to countenance.

Peking has, in its own terms, gone to considerable lengths to ease worries in Hong Kong over

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GATT - LAUNCHING THE NEW ROUND

Iglesias-star performer at a difficult show

THE WARM glow of salf- confidence verging on the fool- continent — in which case Mr last week's talks when his table officials won here's laurels. The congratulation that swept the bardy. Mr Iglesias pulled it off. Iglesias, constitutionally obwas crowded with requests for Americans, particularly Mr seasible conference on the The US trade representative, structed from the Uruguay and Trade this weekend left energetic in his own right— would undoubtedly come under heavily weighted towards the paid entirely unsolicited praise perusal.

Indeed, the scale of collective briefing as "unquestionably e relief that greeted the fact that the agreement had been reached, supported the view of the chairman, Mr Enrique Iglesias, that delegates "had just opened the most complex, the most difficult round in Gatt

country of Sm. Ensuring thet a Precedent could argue that deal was reached, by no means the top UN post should stay a foregone conclusion, showed for two terms with the same

to the 46-year-old Uruguayan, describing him at his final press

such a source can do no harm to this son of an impoverished Montevideo grocer, in the light of the question-mark now hover-ing over tha post of Secretary-General of the UN.

The central figure in e week of intricate bridge-building. Mr legissias has undoubtedly enhanced his reputation in international formus.

Holding the confarence alona was brava enough for this tiny country of 3m. Ensuring thet a deal was reached, by no many country of 3m. Ensuring thet a deal was reached, by no many country of 3m. Ensuring thet a deal was reached, by no many country of 3m. Ensuring thet a deal was reached. By no many country of 3m. Ensuring the a deal was reached. By no many country of 3m. Ensuring the a deal was reached by no many country of 3m. Ensuring the a deal was reached. By no many country of 3m. Ensuring the a deal was reached by no many country of 3m.

Mr Iglesias's curriculum vitae —a former student in France and the US, banker, economist, and now Uruguay's finance minister—could look ettractive in an era when debt and development are high on the political appends. tical agenda.

He is well known in his own continent as a formar executive secretary of the Santiago-based research body, the Economic Commission for Latin America, and his rola in the Cartagena Group, through which be has close contacts with the UN. Despite ohvious charm, Mr Iglesias did not win over every-body in Punta del Este, how-evar. At e crucial moment in

so-called modorate developing nations at the time. But others were not so harsh. "For someone who knew little about trade, it was a skilled negotiation—and most important, be got the right result," he said. Several other ministers and

away the much threatened big stick and getting on with the

"It was a disastrous decision," said one experienced official. "It was only when tha
(British Trade Minister) Paul
Channon led a delegation to
gat his back to the original
text that the thing came back ness and pragmatism.

Mr Channon, the British
President of tha EEC, inspired,
perhaps, by his obvious frustration with the bickering over
texts, succeeded in formulating
tha crucial wording on That was clearly one view of the industrialised powers, and it was shared by many of the



Europeans together. texts, succeeded in formulating that crucial wording on agriculture.

Tha Oscars for conciliation go to a strong Colombian delegation, and Mr Martin Bangemann, the West German gates, each and everyone highly Finance Minister, who played a trained in the art of dispute.

Key compromises end deadlock

trade ministers to launch a new trade-liberalising round under tho Genaral Agreement on Tariffs and Trade (Gett). One, forced upon the EEC by the US and e group of "free-

by the US and e group of "free-trading" farm exporting coun-tries led by Australia, can mean that Gatt rules will finally be imposed on the grossly subsi-dised agricultural trade.

The other which resolved e protracted battle hotween tho US and a caucus of developing countries headed by Brazil and India foreshadows an ambitious extension of Gatt's score to in-

India foreshadows an ambitious extension of Gatt's scope to incorporate trade in services, astimated to take up 20 to 25 per cent of commercial exchanges between nations.

The final bargains struck in the last bours of the gatharing had the virtues of allowing all opponents to claim that some key interests had been mat.

Agriculture: EEC ministers and officials spent by far the

and officials spent by far the larger part of their cima in Punta dal Este discussing farm

They had first to settle internal differences about the degree of support for France's desire to protect the Common Agricultural Policy export subsidies and then to come to terms with the US and the rampant "free-tradars" over the terms for agriculture negotiations in the new round.

They had first to settle interpretations of the term of support for France's degree of support for France's the term standally, not surprisingly in view of their need to place to terms with the US and the rampant "free-tradars" over the terms for agriculture negotiations in the new round.

The grown the usy of handling the surplus simed to avoid a situation in the respect national policies is relieved to the talks will be to find which they could be forced to respect national policies is relieved and other distorting forum and with the same four time tale.

The US can claim that services are part of the new round—the condition it had posed for its participation. For Brazil and solution while their opponents of the talks on services are being undersometred that an international system of rules from those on goods.

The developing countries into the talks will be to find which they could be forced to respect national policies is reflected in the wording of the most with the same four time tales.

The US can claim that services are part of the new round—the condition it had posed for its participation. For Brazil and elemending a "twin-track" one, the talks on services are being undersometric than an international system of rules from those on goods.

The developing countries in the talks an services are part of the new round.

The use are part of the new round —the condition in the proticipation. For Brazil and elemending a "twin-track" one, the talks an eventual system of rules from those on goods.

The developing countries in the talks an international system of rules from those on goods.

The developing countries in the talks an international system of rules from those on goods.

The developing countries in the talks an internatio

TWO crucial compromises ending disputes which had defied in the final ministerial declaration. The French objected to the singling-out of export subtrack ministers to launch a new sides as the subject for that the "basic cause" of the

sides as ma subject for negotietion.

They did not want a fixed timetabla for the talks, but wanted to ensure that agriculture was handled only in one negotiating group and that the pace of the farm negotiations should not be faster than that of other subjects in the new

In the end, the convoluted language does not pinpoint the EEC'e emport subsidies but opens the way for them to be tackled in the negotietions along with "other measures" affecting for negotiations in the new round with the developing ing farm trade.
No timetable is mentioned

No timetable is mensioned except for the four-year deadline for the round as a whole, but a "phased reduction" of the "negativo effects" of the subsidies and other distorting measures is to be achieved.

Minimizer is to be achieved.

Mr John Dawkins, Australian Trade Minister, was in no doubt that the "basic cause" of the agricultural trade crisis—tha EEC's export subsidies—would be tackled. The US and Australia foresaw an agreement being reached in two years.

Services: The deal over services is a vindication of the EEC Commission because it is extremely akin to the informal understanding reached Mr Clayton Yeutter, US Trade
Representative, and the Australians sought a clear commitment to negotiata the phasingout of export subsidies over a set period.

In the end, tha convoluted in Geneva last month between Tran Van Tinh, tha Community chief negotiator them munity's chief negotiator them counterparts. This understanding was condemned by the US and rejected by EEC Ministers.

round with the developing countries argument that Gatt was not competent to handla



Mr Clayton Yentter

exports of goods.

The solution turned out to be a hybrid. The ministers, as Gait signaturies, declared the start of a new round to deal with trade in goods, and as sovereign governments, they set in motion parallel talks on services.

Both sets of postnictions will

Both sets of negotiations will

Ministers agree tough pact on trade curbs

BY WELLAM DULLPORCE

A STANDSTILL has been effective since Saturday on trade protection. In their declaration launching the new tious to "any" restricting or round, ministers committed their governments not to take any trade restricting or distorting measure. The second clause of the standstill undertaking even torting measure inconsistent with the Gatt before the end of the talks. of the talks.

Mr Clayton Yeutter, US
Trade Representative, immediately spread confusion over the
scope of the standstill commitment by telling journalists
just before he left that it did
not apply to so-called "grey
areas" of protectionism.

The "grey area" refers to the bilateral agreements such as voluntary export restraints or orderly marketing arrangements by which governments circumvent Gatt rules without actually breaching them.

Both sets of negotiations will be supervised by the trade negotiations committee to be set up to co-ordinate and supervise the bargaining groups in the new round.

The US can claim that services are part of the new round—the condition it had posed for US would not be able to strike the marticipation. For Brazil and The US can claim that services are part of the new round Under such a commitment, the the condition it had posed for the participation. For Brazil and a deal similar to the one it recently concluded with Japan on semiconductor prices.

Commitments to observe a standarill on protective mea-

ercise restraint in using their legitimate rights under Gett

legitimate rights under Gett whila the new trado round is under way.

In the Gatt Secretariat's view, and certainly in that of the large majority of Gatt members, the standail implies that there will be a four-year halt to illegal trade protectionist measures.

seek protection under domestic US legislation will not be halted, but the US Administration will have to ensure that any steps it takes to meet domestic demands conforms with Gati regulations.

For the EEC too, the stand-still pert implies that no fur-ther bileteral trade manaling agreements abould be made with Japan. But if there is wavering on the US side about the scope of the commitment, Brussels is also likely to take an

commitments to observe a standstill on protective measures have preceded earlier Gatt negotiating rounds. The ona embodied in the Punta del Este declaration is more strongly worded than any pre-

declaration aimed at expanding free trade

within four years.

TRADE IN GOODS Contracting parties meeting at ministerial level determined to halt and reverse protectionism and to remove distortions to trado; also to preserve the basic principles and to further the objectives of Gatt; also to develop a more open, viable and durabla multilataral trading system.

Convinced that such action

Convinced that such action would promote growth and development, mindful of the negative effects of prolonged financial and monetary instability in the world aronomy, tha indebtadness of a large number of less developed contracting parties, and con-sidering the linkage betwaen trade, money, finance and devalopment, decida to enter into Multilateral Trade Nego-tiations on trade in goods within the framework and under tha

aegis of the Gonoral Agreement

on Tariffs and Trada.

OBJECTIVES

Negotiations shall aim to:
(i) bring about further liberalisation and expansion of world trade to the benefit of all countries, especially less-developed contracting parties, including the improvement of access to markets by the reduc-tion and elimination of tariffs, quantitativa restrictions and other non-tariff measures and

is established to carry out the MTN.

The TNC shall hold its first meeting not later than October 31 1986. It shall meet as appropriate at Ministerial level. The Multilateral Trade Nagotiations will be concluded within four years. ing of the international monatary system and the flow of financial and real investment resources to developing coun-

duct and the implementation of the outcome of the negotiation tha outcome of the negotiation chall be treeted as parts of e single undertaking. However, agreements reached at en early stage may be implemented on a provisional or a definitiva basis by agreement prior to the formal conclusion of the nego-

tiations.

(iii) Balanced concessions should be sought within broad trading areas and subjects to be negotiated in order to avoid unwerranted cross - sectoral

(lv) Contracting parties agree that the principle of differential and more favourable treatment embodied in Part IV and other relevant provisions of the General Agreement and in the decision of contracting parties of November 28 1979 on differ-ential and more favourable treatment, reciprocity and fuller participation of developing countries applies to the

negotiations.

This is an edited version of the declaration agreed by Ministers.



formulated crucial wording on

agriculture (vii) Special attention shall be given to the particular situation and problems of the least developed countries.

STANDSTILL AND ROLLBACK

Commencing immediately and continuing until formal comple-tion of negotiations, each par-ticipent agrees to apply the Standstill

restrictive or distorting massure inconsistent with the provisions the General Agreement or B (ii). the Instruments negotiated Natural rewithin the framework of Gett products. or under its auspices; (ii) not to take any trade

restrictive or distorting measure in the legitimate exercise of its Gatt rights, that would go beyond that which is necessary to remedy specific situations, as provided for in the General

participants concerned including all affected participants.

(iii) there shall be no Gatt-concessions required for the elimination of these measures.

SUBJECTS FOR
NEGOTIATIONS
Traiffs
Negotiations shall sim, by appropriate methods, to reduce or, as appropriate, eliminate of their negative effects and spropriate methods, to reduce dealing with their causes; (iii) minimising the adverse of elimination of high tariffs and taniff escalation. Emphasis and taniff escalation. Emphasis can have on trado in agriculture, taking into account the relevant international agreements.

cariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis shall be given to the expansion of the scope of tariff concessions among all participants. Negotiations shall aim to reduce or eliminate non-tariff measures, including quantitative restrictions, without prejudice to any action to be taken in fulfilment of the reliback commitments.

commitments.
Tropical prodocts
Nogotiations shall aim at the
fullest liberalisation of trada in tropical products, including in their processed and semi-pro-cessed forms and shall cover both tariff and all non-tariff measures affecting trade in these products.

Contracting parties recognise the importance of trade in tropical products to a large number of less-developed con (1) Not to take any trade tracting parties and agree that negotiations in this area shall receive special attention.

Natural resource-based

Negotiations shall aim to achieve the fullest liberalisation of trade in natural resource-based products, including in their processed and semi-processed forms,

Textiles and clothing
Negotiations in the area of textiles and clothing shall aim

international agreements.

international agreements.
Gatt Articles
Participants shall review
existing Gatt articles, provisions
and disciplines as requested by
interested contracting parties,
and, as appropriate, undertake
negotiations.

Safeguards
(i) A comprehensive agreement on safeguards is of partiment on sareguards is of parti-cular importance to the streng-thening of the Gatt system and to progress in the MTNe. (ii) The agreement on safe-guards shall be based on the sic principles of the General

shall contain, inter alia, the following element: transparency, coverage objective criteria for action including the concept of serious injury or threat thereof, temporary nature, degres-sivity and structural adjust-ment, compensation and retails-tion, notifications, consultation, multilateral surveillance and dispute settlement; and shall of transparency and progressive clarify and reinforce the discip- liberalisation and as a means lines of the General Agreemant and should epply to all contract-ing parties. Subsidies and countervalling

Negotiations on subsidies and

disciplines.
Nogotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods. These negotiations chall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organisation and elsewhere. Trade-related investment

Following an examination of the operation of Gatt Articles related to the trade restrictive and distorting effects of investand distorting effects of investment measures, negotiations should elaborate, as appropriate, further provisions that may be necessary to avoid such adverse effects on trade.

PART II

TRADE IN SERVICES

Ministers also decided, as part of the Multilateral Trade
Necotiations, to launch neco-

Negotiations, to launch nego-tiations on trade in services. Negotiations in this area shall aim to establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors, with a view to expansion of such trade under conditions of promoting economic growth.
Such framework shall respect
the policy objectives of national
laws and regulations applying
to services and shall take into

account the work of relevant international organisations.
Gatt procedures and practices shall apply to these negoobstaclas.

(ii) strengthen the role of Gatt, improve the multilateral designines; coverage of world trade undor egreed, effective and enforceage, effective and enforceage and multilateral disciplines; (iii) increase the responsive nervolving intarnational conomic adiusting naccessary structural adiustment, tinter alia, through facilitating naccessary structural adiustment, tinter alia, through facilitating naccessary structural adiustment, enhancing the relationship of the Gatt with the relevant international organis
obstaclas;

In the implementation of the gaven of world trade undor expect reciprocity for coverage of world trade undor egreed, effective and enforceable and multilateral disciplines; (iii) increase the responsive environment, inter alia, through facilitating naccessary structural and other relationship of the Gatt with the relevant international organis
obstaclas;

In the implementation of attemption of the lagrane and oliback, particular care should be given to avoiding disruptive effects to the trade of less-developed contracting parties.

In the implementation of attemption of the lagrane and oliback, particular care should be given to avoiding disruptive effects to take any trade of introducing translations of the lagrane and oliback and prevential integration of this sector into take any trade to take any trade to introduce and names as subsidies and countervailing measures shall be based on a review of Articles and clothing shall aim to formulate modalities that the eventual integration of this sector into the work of relevant to countervalling measures shall be down a review of Articles and clothing shall aim to formulate modalities that the eventual integration of this sector into the world of introducing of the set relies and clothing shall aim to formulate modalities that the eventual integration of this sector into the services of the matters.

Our respect to the basis of strengthen defect the basis of strengthen defect in the basis of strengthen defect the basis of strengthen def

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Drexel Burnham Lambert

A highly persuasive dealer in 'junk'

David Lascelles continues this series with a look at the trend-setting US investment bank

IN THE welter of new ideas that has poured out of the financial services industry in recent years, few have proved as controversial—or for that matter as memorable—as junk bonds. And few have been as closely identified with a single financial institution, in this case Drexel Burnham Lambert, the Wall Street investment firm which built up the market for low grade corporate paper virtu-ally single-handedly in the late



1970s.

Today, the junk bond market is worth over \$100bn, and most of Drexel's major competitors which originally turned their give Press interviews. But he is usually at his desk when Wall too. The Federal Reserve Board has even conferred on it a distinction of sorts by issuing a regulation designed to curb the excessive use of junk paper to finance takeovers and buy-turned has excelled by arranging deals for go-getting clients like Rupert Murdoch and Sanl Steinberg.

Junk bonds have enabled borrowers outside the ranks of the US hlue-chip companies to raise extremely large sums of money (many Drexel deals have been in the hillions of dollars) from investors attracted by their rate which, Drexel managed to persuade them, was a lot lower than neonle expected.

Today, the junk bond market is the Belgian financial group which has 2 cent. But GBL's stak ing steadily whittlet because Drexel can it to 5 per cent of new its staff every year his work day," and take advantage of the more dynamic, free-wheeling atmosphere of California, which is his home state. The fact that Drexel is now split between the east and west coast does not appear to affect the husiness much.

Milken had made a special stay business," say Juselness, "say business," say Juselness, and it is a well-diversified of perviously high-quality companies, when a student, and concluded that the higher returns they gave investors more than outweighed the risk of default in a well-diversified at one side to nourish staff meetings. He and outweighed the risk of default in a well-diversified at one side to nourish staff meetings. He are the first of the more dynamic, free-wheeling atmosphere of California, which is his home state.

The first Belgian financial group which has 2 cent. But GBL's stak ing steadily whittlet because of the ing steadily whittlet because of the is tan out there is unit and the result of the more dynamic, free-wheeling atmosphere of California, which is his home state.

The first Humboch and spice to first and which are the ingular f

in the billions of dollars) from investors attracted by their turns they gave investors more higher yields and a default rate which, Drexel managed to persuade them, was a lot lower than people expected.

In fact Drexel's greatest achievement is not so much in setting up junk bond deals, as in building up a list of investors willing to buy them, mainly specialised mutual funds, insurance companies and, oddy,

DREXEL has a unique own-DREXEL has a unique ownership structure among the large Wall Street houses which, it claims, gives staff special motivation.

While some of its competitors have gone public (or in the case of Goldman Sachs, stayed a partnership), Drexel in emulayee-owned, and destayed a parmership), Drexel is employee-owned, and determined to remain so.

The largest shareholder is Groupe Bruxelles Lembert, the Belgian financial services group which has 26.5 per cent. But GBL's stake is being steadily whittled down because Droxal can term are because Drexel can issue up to 5 per cent of new shares to its staff every year before being obliged to offer new ones to GBL.

able—holders can only each them in when they leave or retire. So even though Drenel's soaring profits have made many of them millionaires, their worth is in the form of paper rather than cash in the bank.

"We are a highly capitalist firm, but this makes as rather firm, but this makes as rather socialistic," says Fred Joseph, the chief executive. Share-holders receive reports of holders receive reports of Drexel's financial performance which are not made public, including the true profits. But they are bound to keep the information confidential. "I'd be very disappointed if someone leaked them," says Joseph. About 1,850 of the firm's 8,600 employees are share-helders. The price of the

"Investment banking is not a starting sissy business," says Fred role only to get type-cast, Joseph, the firm's chief executive, a noticeably quiet-spoken become a bit of a handicap man (for such a hard-driving firm) who occupies a corner classic example of a company office cluttered with mementoes, spotting an opportunity and exploiting it ruthlessly to great beverages permanently parked at one side to nourish frequent staff meetings. He and Robert Linton, the firm's chairman, have managed Drerel's rocketing fortunes to a large extent upstart image. And even on they think have talent and let-scrappy manner and refusal to

mives our saids and a default rate which. Drawel managed to perfect the managed to portfolio. The opportunity to be made them, are to be considered and them, are to be companied to perfect the main and the post of the companied of the post of the companied of t for days when he goes for a "walk-about," chatting to employees all round the firm,

Joseph, who is a Harvard recruited, "It gave others an excuse to dump on us," combinest. He while they are earning some of became chief executive in May the biggest profits in investment firms on that scree alone.

However, the concentration on junk bonds — which is a conjunk bonds — wh

whater like an actor who

shares is determined by Drexel's book value which went up 73 per cent last year. But the shares are not trade-

banking, Drezel's executives hanking, Drezel's executives have plenty to concern them, not least, one suspects, e craving for greater status on Wall Street, despite all the fighting talk. They do not, for example, like to call them junk bonds at Drezel. "We prefer the name high yield bonds," says Jim Balog, the vice chairman, whose main task has been to fend off the many threats of legislative action that Drazel's financing of hostile Drexel's financing of hostile takeovers has drawn from angered state governments. Altough Drexel rates as a "major bracket" firm, meaning

"major bracket" firm, meaning it gets its name in a special high alot in "tombstones" amouncing financing deals, it has not been admitted to the exclusive "bulge bracket" of top notch firms like Merrill Lynch, Salomon Brothers and Goldman Sachs. If this rankles, the firm's senior managers do not show it. "I'd rather be a bulge profit firm than a bulge brackets firm," says Linton, who argues that investment banking's best markets lie with vigorous new comkets lie with vigorous new com-panies who need to raise finance, rather than with

glamorous blue chip ones who are either in decline or so cash-rich that they are huying back their securities, not issuing new ones.

But even though Drexel helieves the junk bond boom

is far from over, it has been careful to redeploy its enormous earnings from that business to develop large dealing operations in govern-ment bonds, mortgage-backed securities and equities, and hire top corporate finance names from other firms to make its mark in that field as well. In addition, it has a well-established commodities business, though it has suffered from the slump in commodity prices, and was recently forced to write off \$35m

in losses from the tin crisis.

All told, non-junk bond business now accounts for about three quarters of Dremel's revenues, according to Joseph, who claims that Drexel would still rank among Wall Street's five largest investment firms on



Robert Linton (left) and Fred Josephu finding people with talent and letting them get on with it

to join the London stock exchange, it has decided not to buy a UK stockbroking firm or become a dealer in UK government bonds for the time being, preferring to wait and see.

Although the exportation of the junk bond concept would seem the logical spearhead for Drexel's attempts to "go global," the firm does not expect foreigners to take to it readily -which is another reason for diversifying into more conventional areas like corporate finance and convertible bonds.

"It took 10 years to educate people here. It will be slower abroad," says Joseph, who also believes that the Euromarkets, accustomed as they are to dealing only with top quality borrowers, are not structured for junk bonds. The Jepanese are beginning to show interest though, and Milken is off to Tokyo this autumn to deliver the message to investors there. Drexel might also apply junk bond techniques to Third World debt as a way of stimulating a secondary market for sovereign

is enough," says Joseph. But loans. "It's a \$500bn market overseas expansion is to be the that is not unrelated to high next big drive, particularly in yield bonds," comments Joseph. Drexel has hired some people already has offices.

Although the firm is applying into this possibility.

The big question hanging over Drexel's future is whether it can keep up the pace and still remain private. Joseph has been adamant that Drexel does not need to follow other firms on to the stock market to raise on to the stock market to raise capital, partly because the firm is making such huge sums of money. It also fobbed off an approach from the General Electric Credit Corp which eventually bought Kidder Peabody instead.

At the middle of this year. At the middle of this year. Drexel was also running neck and neck with Goldman Sachs in terms of capital size (they were both around the \$1.5bu mark, and by far the two largest private firms in the business). Since then, though, Goldman has added a further \$500m through its new partnership with Sumitomo Bank of Japan. Although this puts Drexel back, Joseph says it does not change our views one lots. We are not in a capital race, We are in an

Management abstracts

Maintenance management, J. Cecil-Wright in Management Accounting (UK), May 86

Examines the influence of w manufacturing technology and lower stocks on managerial attitudes to plant maintenance, now seen to be crucial in en-suring that critical machines have maximum possible up-time. Looks at conditions essential to effective maintenance-pre-training and re-training of managers and technicians, pre-training by equipment sup-pliers, review of suppliers' spares recommendations, and

involvement of staff in machine installation and hand-over Career paths in tomorrow's organisation. G. Stamp in Industrial and Commercial Training (UK), Mar/Apr 86

Training (UK), Mar/Apr 86 (5 pages)
Describes an approach to selection and appraisal of individual potential, called peth eppreciation. It is based on Elliott Jacques' theory of timespan of discretion, in which the level of overginational reproposispan of discretion, in which the level of organisational responsibility is related to the time dimension along which it is exercised. Explains the process of career path appreciation which comprises three parts compressed into a single interview, and a fourth—career path mapping—carried out jointly by management and the individual. Offers three case examples to illustrate the practical potential and achievement claimed for the and achievement claimed for the technique. Middle-out development of

marketing strategy. P. J.
Boxer + J. R. C. Wensley in
Journal of Management
Studies (UK), Mar 86 (16

pages) Examin Examines the limitations of both the top-down and bottom-up concepts of product/market strategic planning, and concentrategic panning, and concentrates on the benefits that a middle-out marketing view of the relationship between the business and its customers can provide. Contends it will be dependent upon new forms of remuneration. remuneration, informational support, and performance evaluation for middle managers.

etion for middle managers.
Retailing presentation. C. Davies
in Designers' Journal (UK),
May 1986 (7 pages)
Explains why leading retail
chains are giving more attention
to store design and the presentation of goods; focuses on Woolworth, Dolcis, and W. H. Smith,
and illustrates their product disand illustrates their product dis-

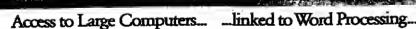
"does not change our views one jots. We are not in a capital race. We are in an earnings race and in an attract-good-people race."

The first article in this series appeared on September 8.

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Short list for airborne warning system expected

British and US companies still in the running to supply it with an alr-borne early warning (AEW) system, but it may not decide the winner for

The competition for this presti-March to give GEC of the UK six more months to show it could sal-vage the Nimrod AEW programme which has so far cost more than \$500m in public money, and at the same time to invite rival offers. Seven UK and US companies submitted tenders to the Defence Ministry on July 7. They included GEC, which is fighting to keep its contract and, for the first time in nine years of developing Nimrod radar, has offered a fixed price bid

to have been rejected, as not meet-ing the Royal Air Force's require-ments, by a September 11 session of

Committee, chaired by Professor ner will not be easy. The HAP, for Richard Norman, its chief scientific whom technical considerations are

The content of the remaining short list is not known. The only certainty is that it includes GEC. hose rate of technical progress in the list has only two names, the other is probably that of Bosing, whose E-3 Awass aircraft, already if service in the US and the rest of Nato.

A firsther complication is that France has decided to join in the has in the US and the rest of Nato, has long been favoured by the RAP.
Grumman and Lockheed of the US have also made strong hids, offering the same radar but in different airframes. The likely early casualties in the competition are the three minor UK contenders — MEL. of Crawley, south of London, a Philips subsidiary which has proposed an Anglo-Dutch radar mounted in an Airbus, and Airship Industries

paramount, has so far been biased against Nimrod. The defence Ministry, facing real cuts in its budget, is dannted by the cost of a system such as Awacs. The Government, as the past six months is the yardstick a whole, would also have to weigh by which the chances of all other carefully the political price, in contenders must be measured. If terms of lost employment and in-

> A further complication is that France has decided to join in the British AEW competition, by evaluating the same major bids submitted to the UK Defence Ministry, with a view to making a cheaper,

Mr André Girand, the French De-fence Minister, who was in London last week to talk to Mr George offering its dirigible balloons and arms collaboration, made clear his Fialtus-Britten-Norman its light-weight sircraft as AEW platforms.

The eventual decision on a win-

Drug abuse warning to companies

COMPANIES can no longer afford to sweep under the carpet the problem of drug abuse among employees which stretches from the shopfloor to the executive boardroom, warms a booklet published today by the Confederation of British Industhe anti-drugs group Turning Point, the publication aims to show com-

Work, says those particularly vul-nerable to drug dependency include

means that an employee working under the influence of drugs can now do potentially more damage to the company and the health of the personnel around him.

The booklet does not include the

wins 60% manning reduction

THE DAILY TELEGRAPH has reached a comprehensive agreement with its production in for a 60 per cent reduction in mauning levels and binding arbi-

neumced toleurow, is a major step towards bringing the loss-making, Telegraph Company, publisher of the Delly and Sun-day Telegraph, back to visibility. It should lead to modest profits

graph at its new £75m web offset plant at Westferry Road on Lon-don's fele of Dogs where produc-tion bogins on September 29.

Redundancies and early re-tirements are expected to cost between 229m and 225m al-though the Telegraph will prob-ably size around 225m a year from April when the Westferry plant is fully operational. Lea-sing charges of 515m a year for the new plant also begin in April. At the moment the Telegraph is preduced in London on precess detries from the 1938 and 38c has

Telegraph | London may charge £500 for access to trading floor

STOCKBROKERS may soon be moves in the market, acheduled to charged a £500-a-year or more floor take effect on October 27, transaclicence fee for the privilege of tions will no longer be passed access to the London Stock Ex- through market makers on the change's trading floor in order to floor. Most of the business of the transact business for clients.

The stock exchange plans to recomp its investment of more than City of London now being fitted out cam in the past year on extra mar-ket-making pitches and improved communications on the trading floor. Until now, members have had free access to the floor although in practice only specialised dealers and authorised clerks have had

According to Mr Patrick Mitford-Slade, chairman of the stock ex-change's Projects Committee, the intention is that the costs of the floor should he borne by those who use it. The price of a floor licence will depend on how many apply. The exchange has a revenue target. So if comparatively few wish to gain access to the trading floor, the cost could be habout her Canal

18,750 per pitch as a one-off charge (payable over three years) for the new facilities, together with an an-nual rental of at least £2,000. that the 224 pitches on the floor will continue to be fully occupied imme-diately after Big Bang. All the existing firms will retain a presence - although some will reduce their space sharply - and a number of new names will appear for the first time.

exchange is expected to move to the

with advanced electronic equip-ment by 27 firms of gilt-edged mar-ket makers and about 35 equity

High fees are also to be levied on market makers. They will pay

After the Big Bang deregulation Pensions equality urged

a common pension age and to end women is unfair to men.

sex discrimination in state and oc
Other discriminary features in

is still widespread, adversely affect-tingmen in some areas as well as sion into a tax-free cash sum.

THE EQUAL Opportunities Com- women in other areas. Indeed the mission has renewed its call to the EOC emphasizes that a retirement Government and employers to have age of 65 for men and one of 60 for

The Commission, in a leaflet published today, points out that discrimination in pension provision tion factors when employees at re-

Peter Riddell reports on poll apathy among expatriates

Only 1% of Britons overseas register to vote at home

weeks to register if they want the chance to vote in any general election up to February 1988.

So far the response has been disappointing, according to the Foreign Office's own admission. An official survey in the middle of this month showed that around 5,000 people had registered out of an estimated 500,000 plus qualifying expatriates.

tons abroad arises from new regulations which came into force in midtation of the People Act. This con-ferred similar, although slightly more restrictive, rights to those that are already enjoyed by US citizens overseas and the expatriates

of many European countries. overseas who have lived in the UK within the last five years can reg-ister as overseas electors through a British Embassy or consulate. This has to be done by October 10 each year, the same day as voter registration in the UK, for inclusion in the register which comes into oper-ation in the following February for 12 months. On the first occasion, re-

gistration has to be witnessed by a consular official. People are registered in the constituency where they were eligible to vote before they went overseas and have the right to vote by proxy at any parliamentary election or European parliamentary election, although not at local elections.

aithough not at local elections.

The low 1 per cent response so far is despite a considerable effort by British embassies and consulates in informing expatriates of their rights through personal contacts, posters and newspaper and

The official explanation is that a lot of expatriates have been away on summer leave until recently and did not know of the change. There paigning.



is also a tendency to leave registra-

Party's vice chairman for interna- in part fulfilling engage

other countries.

He believes there were exaggerated expectations given the experi-ence of other countries. For in-stance, under procedures in existence, under procedures in exis-tence for a long time only about 20 per cent of US citizens living in Britain register to vote and only 3 per cent of Netherlands' citizens have done so.

The new British procedure is vo-himtary, unlike the compulsory re-gistration for those resident in the UK. This creates the novel problem for British political parties of orga-nising voter registration drives – a familiar part of US political cam-

The five-year time limit on the right to vote has caused some resentment among expatriates, as shown for example by letters to the FT. But the formula was agreed as ty favoured tight controls while most Tories wanted a less re-strictive approach. But Labour's eement was necessary to allow the measure to become law in time.

So the five-year limit emerged, All the main British parties have made some efforts to boost registra-tion, but the Tories have done most with a direct mail shot to more than far, there have been only 750 positive responses, with a pick-up in the last two or three weeks.

is also a tendency to leave registra-tion until the last moment, and in-deed the pace has picked up in the port overseas. Mr Peter Morrison, the new Conservative deputy chair-Mr Jim Spicer, the Conservative man, visited Hong Kong last week, Party's vice chairman for internain part fulfilling engagements arranged when he was still Industry
ing both the apathy of the expairimaterial and the complex and restrictive nature of the regulations have to notify their presence in
strictive nature of the regulations Hong Kong to the authorities, it
compared with what is required by
should be easier to track down pot-

ential voters. Mr Spicer went on a world tour in late July and Angust to encourage registration and the establishment of branches of the party's new organisation, Conservatives Abroad.

Similarly, Mr Norman Tebbit, the Conservative Party chairman, visited the Cannes branch a week ago as part of this drive. A total of 26 branches have now been set up or branches have now been set up or have key officers in place, though the coverage is patchy, especially in the US. Branches have been in exis-

vote to Britons overseas could be as The new British procedure is vo- electorally important, particularly

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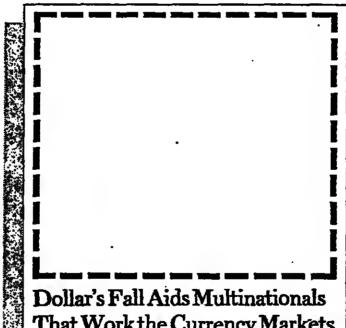
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That Work the Currency Markets

THE BIG U.S. MULTINATIONAL COMPANIES that have been

HE BIG U.S. SEVATIMATIONAL COMPARISO HOS MAY CHARMON from the dollar's Il-month descent have vastly different strategies for dealing with volatile kreign-exchange markets. For many U.S. multinational corporations, the past year and a half-and expecially the past 11 months - have been good times. The falling dollar has made "this year the greatest free hunch I've ever seen in currency management." Says the head of foreign-exchange operations for a major

U.S. multinational company.

A weakening dollar typically helps most big U.S. multinationals because they take in more nondollar currencies than they spend. Thus, as The U.S. unit falls, those foreign currencies can be converted into more dollars. A weaker dollar also makes their currencies more compatitive on world markets.

dollar-prized products more competitive on work markets.

After plunging 35% against the Japanese yen and 25% against the Deutsche mark since last September, forecasters are divided about where the currency is headed. While many seems believe the dollar hasn't much further to drop, others say the current wranging over economic policies between the U.S. and West Germany and Japan clouds the picture.

THE WALL STREET JOURNAL.

THERE'S NOTHING LIKE IT FOR INTERNATIONAL BUSINESS.

Critical test for Alliance stance on nuclear arms

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

ATTEMPTS by the Social Demo-cratic-Liberal Alliance to agree jointly on nuclear defence policy will this week face another critical test at the Liberal Party assembly in Eastbourne, south England

The issue, which centres on the need to retain a British nuclear cap-ability after Polaris, the submarine launched nuclear deterrant, looks certain to dominate the assembly, add to, or maintain, existing mwhich starts today, and threatens to clear capability but expect a reduction in, and an eventual end to, nupressure. certain to dominate the assembly, which starts today, and threatens to put Alliance unity under increased

Last week, the Social Democratic Party (SDP) backed the Alliance initiative to explore the possibility of a European minimum deterrent, leaving open the question of a Polaris replacement. But at Eastbourne the Liberal leadership faces vociferous opposition from sections of the party which believe it is in danger of sufferning its long-standing core. of softening its long-standing com-mitment to nuclear disarmament.

Three Liberal MPs have already voiced their opposition to any re-placement for Polaris and, in critiplacement for Polaris and, in criticising the concept of a "Europeanpillar" of nuclear defences, have
called on the party to restate its objective of a non-nuclear Europe.

They are expected to support a conthey are called that the was a conthey are con-

The latest public opinion poll on union intentions, conducted by voting intentions, conducted Harris for the BBC, gives Lab 41 per cent, Conservatives 36 per cent and SDP-Liberal Alliance

There are signs that a compromise, which could save the Alliance from a damaging split, can be found. Mr Simon Hughes, the Liberal MP for Southwark, London, who wants the conference to reinforcements the force the party's anti-nuclear stance, has indicated that critics rent proposal, provided it repre-sented no more than a step towards a clear commitment to total nuclear

tained "until such time as it is nego-

tiated away.

Mr Steel said that the scrapping of nuckear weapons by Britain would not bring about a nuclear rent proposals, he added, meant Britain would retain an influence on the scale and deployment of the deterrent and on eventual disarmatics with the Unionists and other matiential proposals.

SDP leaders yesterday attended pre-conference sessions in East-bourne to seek Liberal support for an Alliance defence policy. Mrs Shirley Williams, the SDP presi-dent, said that rejection of the nu-clear univelled.

The two Alliance leaders confirmed that they would not, this year, be able to appoint single spokesmen. Dr David Owen, the SDP leader, said one of the difficulties was that some of its potential spokesmen were not yet in Parliament.

Jected by Same time, however, there is no disposition on the British side to go back on the terms of the agreement with Dublin.

The slight switch of emphasis on the part of the Northern Ireland Office came after a speech by Sir Frederick Catherwood, a British conservative Member of the Euro-Conservative Me

Britain 'ready to talk with Unionists'

THE BRITISH Government has repeated its readiness to talk to the Ulster Unionists about devolution in Northern Ireland, provided there is no suspension of the Anglo-Irish

constitutional parties in the proince in the interval between meet-ings of the Anglo-Irish Conference, which was established by the No-

British concern that the agreem has so far been almost totally jected by the Unionists. At the same time, however, there is no disposition on the British side to go back on the terms of the agreement with Dublin.

Conservative Member of the Euro pean Parliament, at Queen's Uni

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Kinnock challenges sanctions job losses

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THE LIKELY effects on employment in Britain of strict economic sanctions against South Africa has been exaggerated and not more than 20,000 jobs would be lost, according to Mr Neil Kinnock, the UK Sovernment's short sight dealer.

Speaking to a press conference at the end of a three-day visit to Jamaica, Mr Kinnock said projections that between 200,000 and 250,000 British jobs could be lost from sanctions depending on which minister you speak to could not be substantiated. While no-one wanted any jobs lost, it was unlikely that full acconomic sanctions against South Africa would mean a shut-down of affected British businesses overnight, he said.

The Labour Party leader suggested that countries which were opposed to sanctions would that be thought of kindly by southern African states and that British business was threatened by the loss of a market in these southern African condition. The British business was threatened by the loss of a market in these southern African conditions.

was threatened by the loss of a market in these southern African countries which was bigger than it had in South Africa.

obtain visas to enter Britain. He said a Labour Government would reshape current immigration legislation, replacing it with a proper

International gathering on nuclear safety rules

BY DAVID FISHLOCK, SCIENCE EDITOR

SENIOR government ministers from more than 100 countries meet in Vienna on Wednesday to try to

Ukraine last April.
Mr Peter Walker, UK Energy
Secretary, and Mr Alastair Good-land, minister responsible for nuclear energy, will represent Britain at a special conference of the Inter-Atomic Energy Agency, discuss expert Western analysis of the Soviet accident report.

These ministers expect to receive

The Soviet findings

ed RBMK-type reactor, as well as

agreement on these four matters realistic objective of the conference Mr Walker said.

by mid-October the lengthy report of Sir Frank Layfield on the Size had been identified by the British muclear industry in 1977.





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British pay deals unlikely to fall below 5% barrier

BY DAVID BRINDLE

PAY SETTLEMENTS are running at average increases of between 5 and 7 per cent and show little sign of falling rapidly to levels expected by the Government, two surveys sublished today suggest.

The surveys agree there has been decline in the number of settlements above 7 per cent but indicate a bunching above the 5 per cent

The emergence of 5 per cent as a minimum expectation this winter would concern the Government. In a weekend speech, Mr Kenneth Clarke, Paymaster General, contin-ued the ministerial attack on the idea of a "going rate."

The surveys, by pay research roups Incomes Data Services and industrial Relations Services, differ in the stress they put on the fall in settlement levels at the top end of the median range.

According to IRS, settlement levels are "now firmly moving in a downward direction." Although this is not a dramatic trend, seven out of 10 bargaining groups are expecting less than they did last year, and the median has fallen in the last quarter (ending July) to 5.7 per cent. IRS predicts the downward drift will continue throughout 1986 but

says it may not last into next year because of rising inflation, increas-

ing company profitability and pay pressure in the public sector.

The other survey, by IDS, finds no significant downward trend in settlement levels in its overall review of 1985-86. Further, it says any fall in basic pay deals is likely to be offset by top-ups through salary increments, productivity and skill

As a result, IDS predicts, the underlying increase in average carn ings is likely to remain on or about its current rate of 7.5 per cent.

Pay and Benefits Bulletin 168; IRS, 67 Maygrove Road, London NW6 2EJ; by subscription. IDS Re-port 481; IDS, 193 St John Street, London ECIV 4LS; by subscription. • The Government's plans to reform personal taxation will give tax handouts to the rich and limit the independence of married women. according to a report published to-day by the Low Pay Unit, Helen Hagne writes.

system of transferable tax allowances to replace the married man's allowance. In its response to the Green Paper (consultative docu-ment), the Low Pay Unit claims the

David Lascelles meets a gamekeeper turned poacher Patching up wounds at Midland

"I HAVE found in Midland Bank a very lively group of people who have been through a terrible time." Thus, Sir Kit McMahon on the state of morale in the institution of which he has just become the senior executive officer.

Few people in the City of London have come to a job amid such high expectations. The former deputy governor of the Bank of England intellectually distinguished, pro-foundly experienced in financial at-fairs, has assumed control of Britain's most trouble-prone clearing bank, where the wounds from the Crocker National Bank disaster in

the US are still plain to see.

How will be patch Midland and where does he intend to take the UK's third-largest clearing bank?
Does he even have the skills for the job, coming as he does aged 59 to his first post in the commercial

Sir Kit has certainly wasted no time. After spending the summer on an intensive tour of Midland's installations worldwide he moved into the fifth-floor chief executive office in the City street known simply as Poultry only 18 days ago, a large, panelled room with deep windows and attendants in black suits standing respectfully outside.

Last week Sir Kit announced a

string of senior management ap-

Sir Kit McMahon

made - ensure that his men occupy key positions in the vast army of key positions in the vast army at 65,500 people he now heads. Next April he assumes the chairmanship as well, and his contract is open-

"Our strategy," he said, "must be to build constrengths." Already he is using commercial jargon which using commercial jargon which joits any listener accustomed to his elegant style as a central banker. But he stresses that the appointments confirm a strategy already developed by his predecessors, from whom he is amxious not to steal any credit

"What makes this job attractive is that a great deal has already been ment), the Low Pay Unit claims the plan could give couples with investments of more than £50,000 a year land and will eventually - by the tax cuts of over £3,000.

pointments which put his stamp on done to sort out conflicting views, clarify strategy and so on." Crocker, for example, has been sold, and time more junior appointments are

banking business going for Big Bang, the forthcoming deregulation of the City.

'I'm struck by what a lot of resources the group has: Thomas Cook, insurance, units trusts, inter-national capital markets. And then there are the branches which will continue to be our core business. That's where the money is made. The people here are very market-oriented It's rather different than I expected. I'm struck by how go-go

Sir Kit is pleased with Midland's position in the UK retail market where its "free-if-in-credit" campaign (the first among the Big Four) has won it a lot of new ac-

corporate banking side. "What with Crocker and so on, we have dropped behind here." But by bringing in new talent and combining Midland's traditional clearing bank skills with the new securities operations being developed by Sar Montagu, the merchant ban Montagu, the merchant banking subsidiary, Sir Kit intends to re-build Midland's credibility as a cor-

He has divided the market into two, the global and the commercial es. The second are companies where we are still cle than the corporate treasurers. The first is the other way round. The global market is a difficult one, but we have to he in it."

Sir Kit is particularly keen to get

land in Japan so that he can pull to-gether a global investment banking business using the securities operass using the securities opera tions that have already been estab

lished in New York and London. But he will not be able to follow his rivals like Barclays and Nat-West and get listings for Midland on overseas stock exchanges to tap new sources of capital until Midland's balance sheet has recovered from the bundreds of millions of pounds lost through Crocker.

Sir Kit does not expect profits to come easily. The Big Bang, which will pitch Midland into intensely etitive securities markets, means "It's going to be quite hard to make money, and we're going to have to sweat it out." He is also worried about the over-all economic climate. There's the

time bomb of the US external deficit which people have only just wo-ken up to. That's going to be ex-tremely hard to handle. It could affect the foreign exchange markets and free trade and so on. It makes me very cautious. Banks will have to watch their asset and liability poations very carefully."

And how does the gamekeeper

turned poacher now view the bank-ing authorities? Do those good habits be so frequently urged on bank-ers in his previous job now seem like onerous constraints? "You start seeing things in a different way," he admits with a grin. "I'm about half way in between at the moment."

Output expected to pick up slowly

By George Graham

BRITISH manufacturers expect their output to pick up slowly over the rest of this year, but order books remain flat, and export orders have improved only fractionally from the dismal levels of the last few months.

The September trends survey by the Confederation of British Industry (CBI), the employers' group, shows that 12 per cent of the 1.556 manufacturing companies ques-tioned have order books above normal, compared with 33 per cent whose order books are below nor-mal. This leaves a balance of 21 per cent, little changed from the Augus

Export order books were felt to be above normal by 14 per cent of companies and below normal by 37 per cent, the CBI says. The food, drink and tobacco industries report the best improvement in overseas orders, but in general, export order books have not been so weak for al-

most three years. Mr David Wigglesworth, chairman of the CBI's economic situation committee, said conditions had im-proved slightly for exports but re-peated the CBFs call for lower interest rates and moderate pay set-

Tilcon Limited is amongst the top suppliers of road surfacings in Britain. One of their surfacings, coated Macadam,

is produced by heating stone chippings to a temperature of 130-190°C and mixing them with bitumen. The 'hotting up' takes place in a rotating drum dryer which can handle 220 tonnes of stone in an hour. The drying plant was fired by gas oil until a cost efficiency drive pointed the

closely with British Coal, Tilcon moved on to the new technology of micronised coal. Today, coal goes through a Stordy micronising mill and comes out twice as fine as salt granules before being automatically fed to the burner. This has dramatically improved productivity and led to a new-plant payback period of under 12 months.

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New ferries 'challenge financing of tunnel'

MR GEOFFREY PARKER, chairman of European Ferries, threw down a strong challenge to the backers of the planned Channel Pride of Dover, and a sister ship, tunnel as the company's cross-Channel ferry was launched in the group's Townsend Thoresen

West Germany at the weekend. The new ship, one of two being built for the company at a total cost of £90m - up from an original £70m,

as a result of sterling's decline would be cheaper to run, faster and bigger than anything yet seen on the Channel, he said.

nanciers will see the sense politicians have failed."

the group's Townsend Thoresen subsidiary by Schichau Unterweser The Pride of Dover will enter service on the Dover Calais route next summer. With room for 2,300 passengers, she will have twice the capacity of the largest ferries now on the route.

Mr Parker called the tunnel a Casting doubts on the financial "well-known politicians' folly" and assumptions behind the tunnel pro-said it was still very question ject, he said: "We hope that the fi-whether it would ever be built.

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The Falklands conflict was the world's first taste of high technology air/sea warfare.

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As such, it served to confirm the increasingly important role that radar will play in any future wartime engagements.

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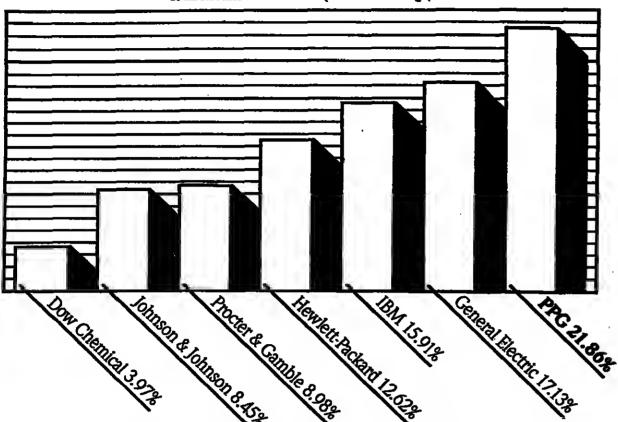
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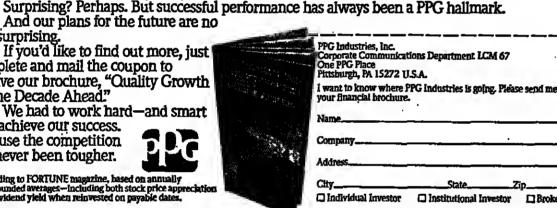
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UK NEWS

THE WEEK IN THE COURTS

Controlling the chief constable

THE STALKER affair is the the direction and control" of its latest and longest-running chief constable. This is in stark disciplinary process against a senior police officer and his removal from an official inquiry into killings by the Royal Ulster Constabiliary, it also spawned a fresh irritant in the worsening relationship between the Labour-controlled Greater

Anderton.

Mr Stalker, Manchester's the authority's responsibilities deputy chief constable, was for social services must be removed from the inquiry last for social services must be referred. The authority is may to face allegations that he hought the police into disrepute by associating with so-called "known criminals." the anthority, with the director The Greater Manchester Police Authority rejected a report which concluded he should answer 10 charges before a disciplinary tribunal and restored to committee's authority and ciplinary tribunal and restored bim to duty.

The police authority has also decided to reverse its decision to question Mr Anderton about his social engagements, associations and use of police facilities. That concillatory move will do little, if anything, to dispel the continuing uneasiness in the relationship. This unhappy state

episode in the saga of relation-ships between chief officers of directors of local government police and police authorities in England and Wales. Not only Act 1944 establishes a local did the case of Mr John Stalker education authority with the bring into prominence the new duty to secure sufficient schools for adequate educational pro-vision, and to that end the authority must appoint a proper person to be its chief education

Social services are in a similar position. The Local Authority Social Services Act 1970 requires Manchester Police Authority and all local authorities to appoint a social services committee to which all matters concerning

Unlike the chief constable, the director is subordinate to the committee's authority and is answerable for every aspect of the services. The supremacy of the chief constable, which is enshriped in statute, is now being challenged in practice by some police authorities that seek to circumvent the strict

relationship. This unhappy state of affairs is not helped by uncertainty and misunderstanding about the legal powers and duties of the two elements in the government of police forces in England and Wales.

The distinctive characteristic of the way the police force is governed is the provision in the Police Act 1964 which says each police force shall be "under" of chief constable, he is almost immune from removal. Short of establishing corruption or misconduct, a police authority may call upon him to retire on one ground only — that of the "interests of efficiency." This provision has never been formally invoked, although some retirements have been negotiated against this legal background. The final decision con-

but with the Home Secretary. The practical reality is that a chief constable can ignore his police authority so long as he can count on the support of

In the absence of any direct

power over a chief constable, police authorities have sought at least to be better informed about the functioning of their police forces. The only explicit statutory duty on a chief con-stable is to submit an annual report. Additionally, the authority may "require" that he supplies a written report on any matter pertaining to the policing of the area. Some authorities have asked for such reports in the wake of contro-versial incidents. The chief constable may decline to make such a report if he believes that it would contain informa-tion, disclosure of which would

on, to their authorities. The deployment of the Special Patrol Group that led to the Brixton riots in 1981 was never discussed with local representa-tives, and became the subject of

does not lie with the authority Evidence Act 1984 was designed to overcome the gap in local knowledge of police operations. A second area of doubt

centres on the question of financing the police operations. Direction and expenditure. Yet the power to provide funds remains in the hands of the police authority. Can the authority use its powers to veto particular expendi-tures, and indirectly exercise control over the purchase and use of weepomy or deployment use of weeponry or deployment of manpower? Such issues have recently been raised in connec-tion with the purchase of CS gas and other riot equipment. The huge costs of financing the police forces which assisted their colleagues in dealing with the miners' strike of 18 months ago are still being disputed, and may end up in the courts

that it would continue that it would be seen to the final word. Police authority can appeal to the final word. Police authorities are therefore, in this the mercy of the final word. Police authorities are therefore, in this word. Police authorities are therefore, in this watters that require that supposed to the final word. Policing decisions are in essence policy watters that require that supposed to the public anterest.

These are var.

These are var.

These are var. some police authorities that seek to circumvent the strict legal position.

Once appointed to the office of chief constable, he is almost immune from removal. Short of establishing corruption or major and constable, a police authority bare sound to discuss with or report may call upon him to retire on on, to their authorities. The precise ambit of the seek to circumvent the strict chief constables, powers has never been clearly defined. But there has grown up a general control by the authorities that treputer that a police authority be responsible for them. How that responsible for them. How that responsible of the chief constables, and the police authority be responsible for them. How that responsible for them. How that responsible of them, althorities that the police authority be responsible for them. How that responsible of them, and the police authority be responsible for them. How that responsible of them, and the police authority be responsible for them. How that responsible of them, and the police authority be responsible for them. How that responsible for them, and the police authority be responsible for them. How that responsible for them, and the police authority be responsible for them. How that responsible for them authorities that the precise ambit of the police authority be responsible for them. How that responsible for them authorities are police for them. How that responsible for them authorities are police for them. How that responsible for them authorities absence of mechanisms of control by the authorities that the police for them authorities are police for them authorities are police for them. How that responsible for them authorities are police for them. How that responsible for them authorities are police for them. employ caner officers or police is one of the unanswered questions. The Royal Commission on the Police in 1962 did not directly address those issues Twenty-five years later the need for a fresh look at the commission.

Justinian

One-tier multi-purpose local authorities proposed

THE TWO-TIER structure of nation of rates and local in- would immediately recede. local government in England come tax. local government in England and Wales should be replaced by unitary multi-purpose authorities based upon natural communities, according to a report from the Society of Local Authority Chief Executives

In urging a significant shake-up in the structure of local government, Solace says the systems devised in the 1970s—although managed with commitment and professionalism—are not designed for the environment of the 1980s and

The society also wants the system of rates and central government block grants radically

In urging a significant shake-

Solace says that if county and district councils were replaced by one tier of local government,

"It should be more economical, by eliminating duplication of management in the present tiers. An additional consequence would be an increase in accountability," Solace says.

The report suggests that the last reform of local government, in the early 1970s, was too preoccupied with the optimum size for efficient administration, rather than

natural communities, which vary in size.

"As a result, many parts of the country found themselves administered by artificially designed counties and districts, with often strangely derived names based on lesser-key derived names based on lesser-key with the country to the country of t

Solace says future reforms boundary commission with wide

MINORCO Results for the year to June 30, 1986

Earnings from operations increased by 56% to US\$71 million.

Equity share of investoes' earnings declined by US\$55 million due to the cessation, at the end of the previous year, of equity accounting Salomon Inc in which Minorco's interest had been reduced to 14%.

As a consequence earnings before extraordinary items decreased. from US\$110 million to US\$81 million.

Dividends declared for the year increased by 9% to 24 US cents

Investments made during the year, principally in oil and gas, amounted to US\$251 million.

Cash resources at year-end were US\$164 million.

Net asset value per share increased by 12% to US\$14.70.

US\$ millions except per share amounts	1986	1985
Farnings from operations	71	45
Share of undistributed earnings of investments		
accounted for by the equity method	11	.66
Earnings before extraordinary items	81	110
Net earnings	72	105
Dividends declared	41	. 37
Earnings from operations per share (\$)	0.41	0.27
Earnings before extraordinary items per share (\$)	0.47	0.65
Net earnings per share (\$)	0,42	0.61
Dividends declared per share (3)	0.24	0.22

OUTLOOK FOR THE COMING TEAR

For the coming year Minorco's earnings from operations are expected to be somewhat reduced principally because of lower interest income. In regard to Minorco's share of undistributed earnings of investments accounted for by the equity method, present indications are that the losses of Inspiration Resources Corporation will be substantially reduced in the current year while the earnings of Engelhard Corporation and Charter Consolidated P.L.C. should show further advances. The results of Consolidated Gold Fields PLC are expected to improve subject always to the gold price and currency exchange rate movements. The contribution of Adobe Resources Corporation is likely to be negative as a result of weakness in oil and gas prices.

In the previous five years, earnings from operations which essentially represent Minorco's eash earnings were adversely impacted by the requirement to inject considerable equity finance into Inspiration and by the decline in the US dollar value of dividend income from UK investments. In regard to Inspiration, although base metal prices remain depressed, the major reorientation of its business which took place last year appears to be succeeding, while over the last two years sterling recovered some lost ground against the US dollar. In consequence earnings from operations in the foreseeable future should support a higher dividend level. Consequently the final dividend in respect of the financial year to June 30, 1986 has been increased from 16 US cents to 18 US cents per share, making a total for the year of 24 US cents per share.

The final dividend for the year to June 30, 1986 of 18 US cents is payable on November 19, 1986 to shareholders of record on October 3, 1986. The annual report will be mailed to shareholders on or about October 14, 1986. Copies may be obtained from the UK transfer agent. Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

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Ministers burn midnight oil

By Tim Coone in Buenos Aires

SEPTEMBER has brought Buenos Aires good things from the North. The warm air currents have ushered in the first of the three branches of the balmy days of a Southern hemisphere spring, lending a festive air to the celebration of "1,000 days of democracy" under President Alfonsin. And from the creditor banks has come the news that Argentina has been granted another sixhas and the chiefs of staff the three branches of the thr

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breathing space provided by the rollower may nonetheless prove vital for the survival of the Government's long-term economic strategy.

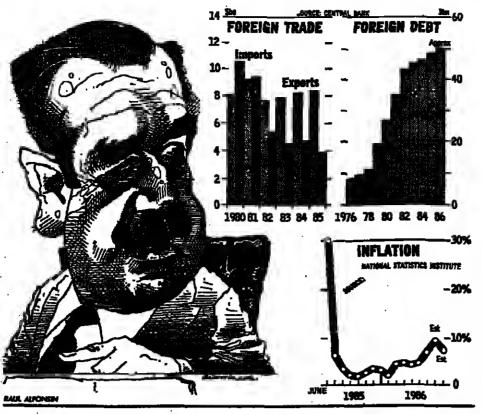
President Alfonsin is now almost half-way through his stryear term. He can claim two major successes: the restoration of democratic government after almost a decade of military rule, which had become synonymous with economic mismanagement and political volume, and the implementation of the so-called "Austral" plan launched in June last year, a programme of wage and price freezes coupled with limitations on money supply growth which put an end to eprolonged period of hyperinfination.

The latter achievement has recently oppeared to be in jeopardy as a surge in inflation over the past two months, after n year of relative price stability, has shaken the Austral plan. The speculative painic which put an end to esported the financial markets for ecouple of weeks in August was an uneasy reminder that old habits die hard.

month stay of execution on its obligation to make some \$7.5m in principal repayments on its 500m foreign debt.

Solvency has been assured at least until 1987: short-term the central bank and the Economics Ministry over monetary policy. The appointment of Mr Jose Lais Machinea as the new the central bank and the bank will have until March 1987 to negotiate a 10 to 12-year rescheduling for principal payments on the medium to long term debt.

That such a rollover would occur was never seriously in doubt. Most of the country's large foreign hank creditors recognise that renegotiation is the only alternative to a dramatic debt write-off which could send their shares plumpeneting. Although short, the breathing space provided by the rollover may nonetheless prove vital for the survival of the s



Fundamental changes in fiscal policy are being implemented which will benefit industrial exporters: customs duties have been eliminated on imports of raw materials used to produce 11,000 categories of exportable goods, and efforts are being made to remove bureaucratic delays.

In addition, the steel, sugar,

reserves thus restricting avail-...ble credit and resulting in high interest rates.

The high reserve requirements, amounting to 72 per cent of deposits have resulted in a phenomenal growth of an officially tolerated black market, a parallel financial system which operates illegally with no Few long-term loans for investment are available, as most deposits are only of a abort

term nature. Financial reform has been promised by the new central bank president, Mr Machinea, but vested interests and political pressures will ensure that this will be a slow and gradual

Argentius's position in the foreign debt debate is hardly likely to meet immediate agreement from its creditors: it is proposing that creditor banks link the level of its debt service payments and new lending to payments and new lending to the price of the country's main exports, cereals and beef (following in the steps of Mexico, which is seeking to link its debt service payments to the course of world oil prices). Asked whether the banks were ready to concede such a principle, a top executive of one major western bank in Buenos Aires recently replied

"Not yet."
Argentina's difficulties in competing on world cereals and beef markets with subsidised exports from the US and the EEC have led to a fall in the country's foreign exchange

earnings from exports. The com-bined trade deficit for 1986 and 1987 is expected to exceed \$3bn.

The Government is not pre-

pared to countenance any new pared to countenance any new recessionary economic measures, as it has made clear in recent talks with the IMF. Important mid-term elections are due next year for the governorships of the country's 22 provinces, which will prove a crucial test of the Government's popularity. The trade unions are already threatening renewed strike action against

its international creditors, despite the occasional hiccup.

The trade unions and the Peronists would be only too happy to see an end to the Austral plan. Economic restructuring, they argue, could be financed from the foreign exchange saved through a debt moratorium.

The Government is therefore working on two fronts: to head off confrontations with the unions, which will require some d flexibility on wages; and to convince the banks and the IMF money it has spent. According that its long-term economic plans have a chance of success. Spring may have come to Buenos Aires, but the lights are still burning late into the night at the Economy Ministry.

The floor show will go on

By Barry Riley

THE STOCK Exchange's trad-ing floor has never been more the Exchange intends to charge ing floor has never been more crowded. In a £8m investment a floor licence fee for brokers programme the Exchange has who wish to go there. Until crammed 224 jobbing pitches into a space that previously held 193, and has fitted number-less screens, terminals, tele-communications devices and other electronic wonders that specialised dealers). Now they go with a modern securities exchange. Jobbers complain like £500 a year, depending on bitterly that there is no longer how popular it is (perversely, any room to sit down, let alone swing a cat. But could this be on the floor, the less the £x-the floor?

Next Monday there will sud-

Next Monday there will suddenly be a lot more room. Four trading over SEAQ, it might weeks before Big Bang many seem odd that the floor would weeks before Big Bang many of the market makers will be of the market makers will be moving upstairs to their new trading rooms. But they will still not be able to operate in dual capacity through their teams of salesmen. For an awkward transitional period the market will be split between "upstairs" and "downstairs."

Telephone dealing is, of course, nothing new. It has been normal for jobbers to operate from their offices before 9 am and after 3.30 pm, the official market hours. But dealing in the peak periods has never been handled this way.

Outpost

a crucial test of the Government's popularity. The trade unions are already threatening renewed strike action against the recent anti-inflation measures. Growth must therefore be the economic objective from now on.

The Government therefore sees its way forward by asking forbearance and patience from its international creditors, despite the occasional hiccup.

Where will that leave the trading floor? Some market makers will move upstairs completely, but it seems that most will leave at least an outpost there. Smith New Court, striking an independent attitude, will stick largely to the old ways, leaving at least 50 dealers on the floor, against 60 or so at present.

One problem is that the trading floor will become rather an expensive place to be. The Ex-

If the alternative is free attract any following. But there are short-term reasons why the trading floor will retain a good deal of appeal. And in the longer run, it could develop an important, if specialised, role.

The short-run question is whether the market's telephone systems will stand up to the strain of the new trading methods. If the lines are jammed, business will stop. Accordingly, both brokers and jobbers may feel it prudent to retain reserve capacity on the floor.

In particular, some practitioners are looking ahead to the
launch of British Gas, which
could start trading early in
December, Traditional rugby
scrum techniques could well
prove more effective than the
most elaborate electronic
booksum.

Smaller brokers are particu-larly apprehensive about their chances of getting through to the market makers in busy conditions. If the James Capel conditions. If the James Capel or Cazenove lights are flashing with the promise of big orders, will the trader tap his touch-sensitive screen in the spot which allows a second-line broker to come through? Presumably not.

So although the wholesale market will be concentrated upstairs, much of the retail business could stay on the floor.



the 60 or so top grade alpha stocks to start with. That will leave the betas (about 500 of them) and several thousand gammas. The expectation is that the markets in many of these stocks will stay on the floor (though business in the smallest and most illiquid securities of all, the deltas, will probably be done on the telephone).

Moreover there could be a moreover there could be a retail business in gik-edged, "retail" in this context apparently meaning deals of anything up to film. Some of the gilt-edged market makers will be concentrating on this kind of business, rather than multimillion institutional trading.

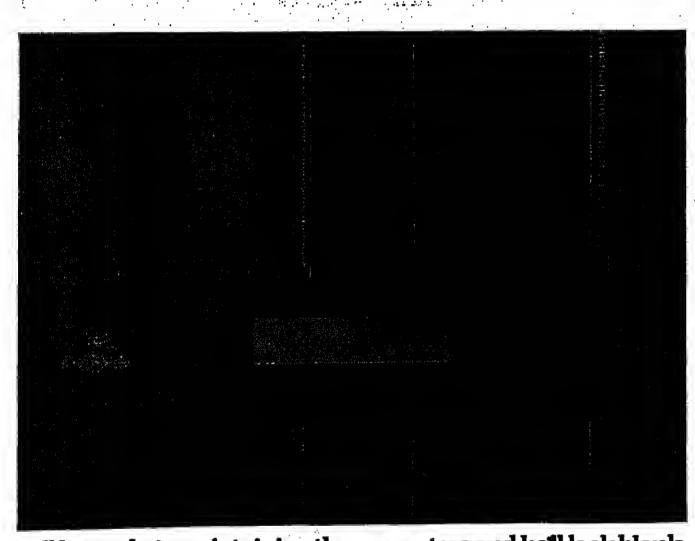
It is worth bearing in mind that some of the newer market makers will be anxious to em-phasise their commitment to equities, and a team of traders on the market floor might be an effective way of doing that.

Outcry

Screen services are all very Screen services are all very well, but big investors and agency brokers might be doubtful about the seriousness of some of the newer market makers, especially if the quotes on the screen are only in 1,000 shares and the real prices in decent sizes can only be discovered over tha telephone. But egain, this could be a transitional rather than a long-term sitional rather than a long-term support for the population of the Stock Exchange floor.

Eventually, the floor's main focus could be on traded options, which will continue for the foreseeable future as an open outery rather than tele-phone or screen-based market. Options business has recently opulous business has recently been expanding fast, and will continue to do so as options traders develop their links with the sharply increased number of equity market makers.

market will be concentrated upstairs, much of the retail business could stay on the floor. This will apply for the next year, at any rate. Beyond that, however, a new factor will need consideration with the launch of the Stock Exchange's anto-execution system SAEF. That should mop np small bargains, and will be a further blow to the trading floor, but not a lethal one as it will, only cover



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Douglas Hodge

Coriolanus/Almeida

Michael Coveney

Deborah Warner's unfunded Romeo, Oswald and Nicky Lancick Theatre Company uneashes this tremendous producion et the Almeida to make e
consense once again of how that above them in a sea of hands.

The Control distributes the re-Rick Theatre Company un-leashes this tremendous produc-tion et the Almeida to make e nonsense once again of how tha Arts Council distributes its resources. I have only seen this Coriolanus and last year's King Lear, but it is high time this six-year-old enterprise was placed on a permanent footing.

Again, the Empty Space principles of Peter Brook are invoked in a simple, energetic staging on the Almeida's bare floor, surrounded by the crumbling brick walls that do service as the fortifications of Corioli, Rome and the locked doors of Antium. Antium, Otherwise, scenery consists of 12 orange boxes, one consists of 12 orange boxes, one for each actor, sound effects of the populace and impending rumpus thrillingly communicated by syncopated shouts, the drumming of boxes and rapid percussive slapping of thighs. Poverty and insecurity may, of course, drive a company to a greater urgency of performance. Certainly there is more drive about this show than many stylistically comparable small house classics from the DCC Desires to Chast by Jonie Poverty and insecurity may, of course, drive a company to a greater urgency of performance. Certainly there is more drive about this show than many stylistically comparable small house classics from the SCI Parisles to Charle by Joyal RSC Pericles to Cheek by Jowl.
This page has long documented the progress eround
Britain of Douglas Hodge, one of our most gifted young actors. His Coriolanus is a pul-

His adversary Aufidius (Nicholas Jeune) is greeted with a flying hite on the neck, but the double ect is never particulerly sexual. Instead, you understand why Coriolanus should fly to an edversary worthy of his opposition the minute the people turn against him.

And he against them. Like McKellen at the National, Hodge revels in the role of warrior hero for as long as he does not have to translate that status into hard political terms,

of family betrayal. The tributes recover from s representatives, and Derek Hutchinson's Cominius is one of the finest and most intelligently satingly watchable perform-ance, blood hrother to his

Patrick Macnee returns to West End in thriller

Patrick Macnee returns to the West End stage to star in new mystery thriller, Killing Jessica, which opens et the Savoy Theatre on Novem-

He heads e cast which includes Liz Robertson, David Langton, Angele Douglas, Jennie Linden and Nicola

directed by Bryan Forbes.

Loose Tubes on first UK tour

The Arts Council's Contemporary Music Network opens its porary Music Network opens its 1986-87 season with the largest jazz group it has ever taken on tour. Loose Tubes, the 21-piece British jazz orchestra, will per-form at the Logan Hall (Uni-versity of London), 20 Bedford Way, London WC1 on Wednes-day, October 15, at 7.30 pm as part of a 13-concert tour.

Among the places to be visited on this the band's first Bryant.

British tour, are Southampton, Plymouth, Brighton, Birmingham, Sheffield, Leeds, Man-chester, Leicester, Coventry and

Architecture/Colin Amery

Hugh Casson's diverting journey

for the exhibition of his life's work that can be seen at the RIBA Heinz Gallery, 21, Port-man Square, London, W.1. until October 25. It is a good title because it exactly conveys the mixture of work and diversions that make up the charmed life of a man who has been active in the world of architecture for Hugh Casson suits the Eng-

Hugh Casson suits the English approach to the visital arts—he doesn't take them too seriously. As he says in the elegantly written companion to the exhibition, " the art room at echool was the place you went to when you were not feeling very well." He has always exploited his capacity to appear to take things to appear to take things seriously while simultaneously sending them up. His drawings also embody the same light approach combined with a cerarchitectural equivalent of Ernest Shepherd's drawings for the world of Winnie the Pooh. He has also enjoyed the role of the national artist. He clearly

of the national artist, He clearly loves public life; in the early photograph of the two-year-old Hugh Casson sitting on a mother-of-pearl inlaid table, the performer in him is already visible. There are not many architects who have had at least three apotheoses—one, as architectural director of the Festival of Britain; two, as architects. tectural director of the Festival of Britain; two, as architect laureats to the nation; and three, as President of the Royal Academy. All these honours have demanded bard work and all have apparently been achieved with an easy lightness of touch. Parallel to all this activity has been running the ectivity has been running the bubbling brook of drawings and writings—nothing earth-shaking and nothing too disturbing. The exhibition does have the

charm of a family scrapbook, screens covered with Casson sketches and showcases filled with memorabilia. He has kept his Christmas cards and invita-tions, sketch books and diaries —always the friendly presence of the man shows through, creating his public face while modestly modifying the face of the nation.

The exhibition can and should be seen as something should be seen as something arts Council, the Design Centre, its GPO Stamp Committee, the Historic Buildings Committee the Historic Buildings Committee and their styles; modern architecture arriving late and e bit breathless, on the South Bank of them—usually on the principle that without these bodies things would noty be worse.

The Royal Mint Committee, the Home of the "piloti'f too—that raising up of the "piloti'f too—that raising up of buildings so that space can flow all around them and underneath them.

The Elephant and Rhinoceros things would noty be worse.

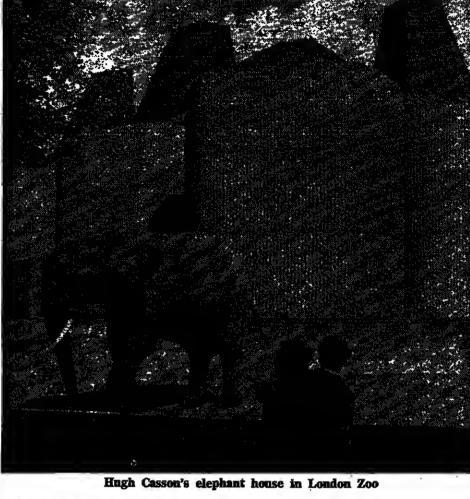
The Elephant and Rhinoceros the practice's best buildings in the great mammals like it, but the short-lived magazine that itself "—surelyst is also something that grew out of the graphic facility of so many at portant to consider the achieve-

Nicholas Maw's new work for

Nicholas Maw's new work for ceilo and strings was given its first performance last May by Alexander Baillie and the Peterborough String Orchestra in King's Lynn, a hang-over from the festival there in 1985, when Maw was the featured composer. It came to London on Thursday, again with Baillie as the superbly accomplished

as the superbly accomplished soloist but on this occasion partnered by the Orchestra of St John's, Smith Square, conducted by John Lubbock.

The title, Sonata Notturna, might seem odd for a concertante piece, but it is well chosen: it emphasises the inti-



the Royal College of Art. In the background all the time is the English love of the Picturseque and informal—a ship was formed in 1956. Its

artists.
One of the lessons that cannot be ignored from this exhibition is the paralysing infinence upon creative life in England of The Committee. What has been the real influence on our surrounding of The Royal Fine Art Commission, The Royal Mint Committee, the Arts Council, the Design Centre, the GPO Stamp Committee, the Historic Buildings Committee and counties others? So often

Maw's Sonata Notturna/Elizabeth Hall

Andrew Clements

is very much a work for cello with subsidiary eccompaniment, for at no point does the orches-

tral writing set out to rival the soloist's in intensity or thematie

interest. For much of the half-bour piece, indeed, the strings

are required to provide purely chordal backdrops to the cello'e rhapsodical musings. Though the structure is articulated in six sections, the

impression is of a sustained and organic single movement in

which the various expressive facets of the solo instruments are displayed. The main theme is heard in a preparatory "Intrada," the centre of gravity is contained in a substantial solo sederar at the midneint of

The Casson Conder Pariner-ship was formed in 1956. Its ship was formed in 1956. Its principal monument is the master plan and some of the buildings for the Arts Maculty in Cambridge. If you walk around the Sidgwick Avenue part of Cambridge, the Feculty Building, the Economics and Politics Building, and the general plan is redolent of the late 1950s and that casual formality of the building in the landscape. It is the home of the "plioti" too—that raising up of buildings so that space can flow all around them and underneath them.

The Elephant and Rhinoceros

The angularity of form and the interest in materials characterises the work of the pariner-ship. Less attractive has been ship. Less attractive has been the invention and promotion of the "conservation mansard" much loved by planning committees. The jutting bays of the new office building at Charing Cross and the classical entrance to University College London show the range of the practice today. Many people will have diverse views about the Ismaili Centre opposite the V & A, but its materials and windows cheerfully sparkle—a gloss on a nawkward form. The firm have tackled the full range, each time with quiet skill and unexceptional results.

Hugh Casson has been a constant force in that peculiar

Hugh Casson has been a con-stant force in that peculiar realm, "the art world." He has opened eyes but never imposed any strain. Moderation, wit and an ability to see both sides— all the middle class virtues are present in Sir Hugh's life and work. He has cheered us, smoothed paths and made us

'Lend Me a Tenor'

tures; the mood is subdued, possibly nocturnal, with the opening, pinned to a repeated D, orchestra mnted throughout, it returns as an epilogue. It is all perfectly seamless and impressively fluent, but for at no point does the orchescast changes From this evening there will be some cast changes in Lend Me A Tenor et the Globe Theatre. Ian Talbot succeeds Denis Lawson as the operatic that is new about Maw or his development. The highly tonal language that he has fashioned for himself, in which the spirits of Britten and the late romantics sit comfortably side by side, is reflectly suited to such a verdian tenor, and other new-comers to the show include Susannah Fellowes, Paul Bentley, and Debbi Blythe.

it does not seem to have engendered much fresh creative friction in the composer. For a more revealing picture of the current state of Maw's art we must wait until next year for the rumour is that not only is his long-awaited orchestral current state. But that it is macy of the scoring (a small are displayed. The main theme must wait until next year for the West End stage after five or large body of strings may be is heard in a preparatory the rumour is that not only is years. His one-man show will used; the Smith Square Orches"Intrada," the centre of gravity his long-swaited orchestral rum for a limited season of 14 tra employed 13 players) and is contained in a substantial Odyssey complete, but that it is weeks at the Albery Thetare, opening October 30.

Elly Ameling/Wigmore Hall

David Murray

on Saturday it was a pleasure chantée" (though the latter pair acquired e new evocative rustling: the audience searchto hear Miss Ameling. If there were passages of strain in her German programme last Wednesday, none was evident this time—her seasoned soprano was very comfortable in Ravel's preferred high-mezzo range. (In the lowest reaches of the Mailarmé songs her pitch tended to go into free-fall). Warm tone, some lovely long phrases, good sense everywhere, sound French style even with some odd style even with some odd vowels: what was much odder was the programme itself.

Except for the Histoires naturelles Ravel's original songsets are triptychs, not cycles, and they are designed for ensemble accompaniment; but there are more than a dozen single songs with plano, besides single songs with plant, besides the folksong arrangements. Miss Ameling chose just four of the single songs, and the Greek set. Otherwise the evening consisted of the orchestral Sheherazade of the orchestral Sheherozade songs, the Mallarmé ones for glittering nonet, and two of the a cappella choral songs — all reduced to voice-with-piano — along with Debussy's Mallarmé settings (which really are composed for piano) by way of factitious comparison. That seemed perverse and it laid an impossible burden on her an impossible burden on her planist Rudolf Jansen.

He was prone anyhow to finger-ellps, and in the first Shehermade song "Asie" the Rimsky-ish orchestral surge was irrecoverable at Miss Ameling's slow tempi. Plane sonorities are too short-breathed for that, and for sustaining the decadent harmonies of "L'Indifférent"

Throughout her Ravel recital or imitating "La Flûte ening its programmes for the words, which had been inadvertently omitted). The plano versions of the Mallarmé songs cannot even capture all the original notes, let alone the essential contrasts between ensemble and solo piano (Ravel was after all inspired by Schoenberg's Pierrot). And the integrity of both Ravel's and Debussy's Mallarmé sets was damaged by interleaving them. gamaged by interfeaving them, so that neither could establish its own quite special character. In short, this curious programme flattered Mis Ameling's attractive expertise with Ravel's vocal lines much more than the music itself. It might

be welcomed in remote provin-cial halls, but in London— where the authentic, luxuriant Mallarmé set has had several malarme set has had several fine performances recently—it was otiose. There were of course many incidental delights. The originally-choral "Nicolette" and "Trois heaux oisesux" made pretty solos, and the genuine solo songs were eppeal-ingly turned (though "Manteau de fieurs" wanted more magical suspension, and Jansen's easy rubato smudged the mockmuchanics of Anne-at-the-spinet and the Christmas-toy song). Among the Greek songs, Miss Ameling's "O jole de mon ame" glowed. Debussy's Mallarmé, much quirkier and flightler than Ravel's, sounded tamely playful. When either of her composers went into the her composers went into the ironic move, Miss Ameling went

News/Paramount City

Martin Hoyle

Once the doors never closed on statuesque nakedness in legally enforced immobility. Now frentic frolics are fully-clothed. The Windmill has been transformed into e circulation-boosting competition (many e true word...). "Gimme the money" reaches e frenzy that allows the musicians, an excellent band at the stage a chance theatre, the latest chepter in Paul Raymond's stately pro-gress to the legit, He'll be getting an Arts Council grant

gress to the legit. He'll be getting an Arts Council grant singles is a neat, wry duet for devotees of the personal ads. And Bee Jaye, as the lonely cosmopolitan colleague. Bar, seats at tables and pocket-sized stage make an ideal venue for cabaret. Whether the andience exists for a fully-fiedged musical (bar closed during the performance, no chance to talk) starting at 9 pm and lasting 75 minutes remains to be seen. The punters who do give theatregoing in Great Windmill Street a whirl will be sonalities, in the act of meeting rewarded with a high-spirited the great sponsor in the sty, show containing some very "All my life I've dreamt ebout

energy.

the back of the stage, a chance to launch into positively orgas-mie riffs, "Sophisticated singles" is a neat, wry duet for

musical toar elosed during the performance, no chance to ter in dark glasses and (rare talk) starting at 9 pm and lasting 75 minutes remains to be other end of the phone; and a seen. The punters who do give theatre-going in Great Windshell Street a whirl will be rewarded with a high-spirited the great sponsor in the sky show containing some very "All my life I've dreamt ebout strong songs put over by a chooting stars," sings Mr vivacious cast with infectious O'Brien; and proceeds to do so.

smoothed paths and made us laugh—a comforting presence, an enabler but not a talent to disturb us after the spangled curtain has fallen.

The story tells of Lord, editor sage than this pleasant atterance of a big city newspaper, making dinner show may well have been intended, including some paychotic killer. Lord's daugh—acid comments on the morality ter meanwhile makes a blind of the press—"Yon're my creadate with someone contacted tion from now on," sings the though the personal column A harder, more cynical mes-age than this pleasant after-

date with someone contacted tion from now on," sings the through the personal column who just happens to be — yes; you can guess.

Already staged in America, the show has lyrics, story and music by Paul Pulse, a Yale man who plays a number of instruments and is best known, we are informed, as a synthesist. I suspect the reference is musical rather than philosophical.

He knows how to whip up excitement, as in a company number when the paper decides to turn the hunt for the mur-

"What's special about these Danish companies?"

ABN Bank Copenhagen Branch, Asaurander-Societetet, Barclays Finans A/S, Berlingske Tidende, Billuben, Boliden, Buch+Deichmann, Danish Steel Works Ltd., Danish Telecom International A/S, Danish Turnkey Dairies Ltd., Dannebrog Shipyard Ltd., A/S De Danish Sukkerlabrikker, Domi A/S, Duracell-Deimon ApS, East Asiatic Co. Ltd. (A/S Det Østasiatiske Kompagni), A/S Elizabeth Arden, Ess-Food, F. L. Smidth & Co. A/S, Forlaget Management A/S, Frisko Sol is A/S, Ginge Brand & Elektronik A/S, Gränges Danmark A/S, Grundfos International A/S, Haldor Topage A/S, Hellerup Bank A/S, Henriques Bank Aktieselskab, Kreditforeningen Danmark A/S, Kommunedata, Midtbenk, A/S Niro Atomizer, Norsk Hydro Danmark a.s, Nykredit, Price Waterhouse, Privatbenken A/S, Revisionsfirmaet C. Jespersen, Skandinavisk Tobekskompagni, Statsanstalten for Livsforsikring, The Jutland Technological Institute, Aktleselskabet Varde Bank.

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Arts Guide

Music

London Symphony Orchestra and Chorus conducted by Richard Hick-ox. Brahms, Kodaly and Rossini. Barbican Hall (Tue). (638 8891). Academy of St Martin-in-the-Fields conducted by Sir Neville Marriner with Marrayet Marshall conducted by Sir Neville Marriner with Margaret Marshall, soprano, Carolyn Watkinson, mezzo-soprano, Robert Tear, tenor and Benjamin Luxon, bass. Tippett. Royal Festival Hall (Tue). (928 3191). Philharmonia Orchestra conducted by Giuseppe Sinopoli. Mahler fl. Royal Partinel Marie (1924).

Giuseppe Sinopoli. Mahler fl. Royal Festivai Hall (Wed). London Symphony Orchestra conduct-ed by Christopher Adey with Mal-colm Rinns, piano. Dukas, Tchai-kovsky, Rimsky-Korsakov and Si-helius. Barbican Hall (Wed). London Symphony Orchestra conduct-ed by Maxim Shostakovich with Lynn Harrell, cello. Shostakovich. Barbican Hall (Thur).

Anna Stella Stick: piano, Schumann, Villa Lobos, Gershwin (Mon), Salle Gavean (4563 2030), Israeli Philharmonic Orchestra conducted by Leonard Bernstein, Sheri Greenawald, sopreno: Bernstein, Foss, Dvořák (Mon), Salle Pleyel Fors, Lvoras (4561 0530).
Paul Kneutz Orchestra: Vivaldi, Telemann, Mozart, Albinoni, Barber (Tue). Saint-Severin Church

(4833 8761).

relacative de Paris conducted by Dan lei Barenboim, The Orchestra de Paris lei Barenboim, The Orchestra de Pa-ris' choir conducted by Arthur Cid-ham to celebrate the choir's 10th anphony (Wed, Thur). Salle Pieyel Fear Pinnyavsky, organ. Scheidt, (4563 0796).

Retur Pinnyavsky, organ. Scheidt, Mendelssohn, Schmidt, Planyavsky. St Stephen Cathedral. (Wed).

is perfectly suited to such a medium as this, and writing for it does not seem to have en

in Philbermonie: Munich Phil

Milan: Teatro alla Scala: Arran, piano. Liszt. (80 91 26). (Tue). Milan: Stabilimento Ansaldo (Via Tortona, 58): Beethoven and Francaix given by the chamber music section of La Scala Orchaetra

given by the chamber music section of La Scala Orchestra (Tue) (80 91 26). Milan: Duomo di Milano: Beethoven's Missa Solemnis conducted by Carlo Maria Giulini, with the soprano Bar-bar Hendricks, contralto to Anne Sjevano, tenor Josef Protschka and bass Robert Holl on Wed. (On Thurs at Testro alla Scala). (80 91 28).

NETHERLANDS

hos-Maria commenns the Nemer-lands Philharmonic, with Maria Ti-po, piano. Honegger, Mozart, Haydn, Bavel (Tue). The Philip Glass Ensemble (Wed). (71 83 45). Rotterdam, De Doelen. The Rotterdam Philhermonic under James Conlon. with Frans Helmerson, cello. Dvo-Hik, Britten, Ravel (Thur). (414.29.11).

September 19-25

New York Falliarmanic (Avery Fisher Hall): Zubin Mehta conducting, its-hak Periman violin. Corigliano, Bartok, Brahms (Tue); Zubin Mehta conducting, Andre Watts piano. Husa, Schubert, List (Thur). Lincoin Center (574 2424).

Beckin Hall (Goodman House): I Cantori of New York. Works by Richard Brooks and James D. Wag-aer (Mon); Barbara Long violin recital with Albert Lotto piano. Eesthoven, Prokovisy, Brahms, Falla (Tue); Goliand Concerta. Patricla Handy conducting, James Blanton tenor. Schütz, Schubert, Stravinsky. 67th w. of Broodway (362 3719).

Chicago Synaphony (Orchestral Hail):
Sir Georg Sohi conducting, Jessye
Norman soprano, Ann Murray mez20-20 soprano, Anthony Bolie Johnson
tenor, Hsus Sotin bass, and Chicago
Symphony Chorus directed by Margazet Hillis: All-Besthoven programme (Wed, Thur). (235 \$111).

Semberger Symphoniker, conducted by Horst Stein. Mendelssohn, Mo-zart, Brahms, Hitomi Memorial Hall Shows Women's College, Sangenjaya (Mon). (262 7141).

NHK Symphony Orchestra. Conductor: Wolfgang Sawallisch, soloist
Bernd Weiki, Mozart, R. Strauss, nn. NHK Hall (Wed, Thur).



Marcia Johnson and Peter Straker

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Monday September 22 1986

Kiss of life for Gatt

lated for a double success. Not only is the agenda the broadest in the Gatt's history, but it has all tha marks of positive consensus, not merely of defensive

By overcoming deeply-felt differences, especially between north and south, ministers in Punta del Este this week have sent a signal to the world that the open trading system can be revitalised in such a way as to reinforce, not drag down, growth and stability in the

Among the most positive features of the agenda ham-mered out early on Saturday are the commitments to tackle a crisis in world agricultural trade and to try to bring trade in services—banking, insurance, tion and the like-under Gatt

Trade negotiators will for the first time be empowered to examine the expensive domestic farm support programmes and export subsidies that have so damaged poorer nations and undermined free trade in agriculture. They will also attempt to frame rules to prevent a proliferation of import barriers of the Garr by to service transactions on which richer countries increasingly depend to balance their external accounts. It required a constitutional compromise to get the services issue on to the agenda; although the result, engineered by the EEC Commission, fails somewhat short of the US demand, it is the best result that could realistically have been hoped for.

For the first time, too, the trade - distorting effects of barriers to foreign investment will be under scrutiny; even that most politically-sensitive of topics has found a place in the ministerial declaration. A vital part of the process started this week-end is the commitment to halt all protec-tive measures not consistent with the Gatt and to dismantle existing barriers over the four

THE MOST ambitions international trade negotiation since the Second World War has been set in motion in Uruguay this weekend. Ministers of the 92 nations which subscribe to the General Agreement on Tariffs and Trade should be congratulated for a double success. Not round is to deal, the valuable consensus reached this week-

end could be damaged.

The depth of that consensus has surprised even those who helped to achieve it. The Third World can with justification claim that the terms of the agenda will serve to protect their interests for as long as they can reasonably claim de-veloping country status. North veloping-country stains. North America and western Europe can claim that their demands for widening the ambit of the Gatt into new areas have also been met. What is more, the result was achieved without voting and without abstentions among leaders of the Third World, thus preventing a north-south polarisation

Indeed, this is perhaps the most important result so far: that the credibility of the Gatt itself has been restored. The US Administration has been given the emour at needs to deflect the missiles of a protectionist Congress and political leaders everywhere a shield with which to resist their industrial lobbies.

Political will

Setting an agenda is one thing: repairing the worn fabric of the Gatt by rewriting the rules and negotiating mutual concessions that will liberalise trade is another. Yet the fact that national delegations struggled so hard in Punta del Este over the minutiae of drafting suggests that the fature of

Este over the minutiae of drafting suggests that the future of
tha general agreement was
universally recognised as a
question of the deepest
importance. The fact, too, that
differences fought over for the
last four years have been
amicably resolved also suggests
that the political will is not
lacking to make the Uruguay
Round a success. Round a success

However painful and pro-tracted the negotiations prove to be—and no one doubts that they will be both—from today it will no longer be possible for any government, the US included, to claim that the general agreement has come to the end of its long and useful life.

Time to abolish UK car prefix

TT IS hard to accept that a mere letter of the alphabet should cause so much turmoll, for so long, in the UK motor trade and industry. But such is the case with the yearly registration prefix—a letter denoting the year of sale. In seeking to reduce the size of the sales bulge which once occurred in January, the dealers and tha manufacturers beve created a monster.

The distortion of the seasonal pattern of new car sales—and the consequent adverse effect on production—now caused by the prefix change in Angust has reached ebsurd levels, More than 20 per cent of the year'e sales are made then, at the expense of demand slackening as early as May, and July sales of around one-tenth the Angust Incomplete in the conclusion seems obvi-

has reached ebsure levels, more than 20 per cent of the year'e sales are made then, at the expense of demand slackening as early as May, and July sales of around one-tenth the August

But what to do ebout it? Over the past 12 months, this bas grown into a large bone of contention between motor traders on the one hand, and cturers on the other.

Greater demand

Last week they sensibly agreed to shelve their differences while a full assessment of possible alternative systems is carried ont under a "nationally known chairman." agreed to shelve their differences while a full assessment of possible alternative systems is carried ont under a mationally known chairman."

While the inquiry proceeds, the Government has been asked the street when ask

to retain the August change and Product merits cancal plans, made et the The other at

industry's request, to move the new prefix to October 1, No other country in Europe has a yearly identifier and no has a yearly identifier and no other country has such an uneven sales pattern. In France, for example, the sales peak is around March, with 11 to 12 per cent of the year's total. The low, of 5 to 6 per cent, is in August. So one obvious disadvantage for UK manufacturers is that just when Continental demand is fading. Continental producers can keep assembly lines busy with right hand drive cars

Earlier this year, the Society

a help against crime. This argument appears tenuous at best. The system does not operate anywhere elsewent in Northern Ireland. There is another strong argument in favour of ebolition. Cars are marketed largely on price in the August boom. Without the prefix the technical and other merits of the product itself could be more actively promoted at the time of the new year model changes in October.

Earlier this year, tha Society of Motor Manufacturers and Traders had arrived at e grudging internal compromise in opting for October. This, it was felt, would create demand in the normally quiet eutumn and winter months and minimise the risk of lay-offs. Even so, Jaguar and Rolls-Royce are hitterly opposed to October, which coincides with the new model year in their allimportant North American market.

Motor Manufacturers and year model changes in October. There is a case for allocating registration numbers not to cars but to individuals. Such a successfully in North American it could be more helpful to the successfully in North American and minimise the charges in October. There is a case for allocating registration numbers not to cars but to individuals. Such a successfully in North American it could be more helpful to the successfully in North American and minimise the charges in October. There is a case for allocating registration numbers not to cars but to individuals. Such a successfully in North American it could be more helpful to the successfully in North American and minimise than any other, as numbers become increasingly familiar to neighbours. Americans can even devise their own number, provided it is not offensive, for a fee. A harmless practice—and winter the first of t

centre et Swansea be e govern-traders are also ment profit centre?

around £35m for a shift to October.

The conclusion seems obvious: the yearly identifier should be ebolished and seasonal market forces should once more hold sway. Only two significant objections have been raised.

One is the fear that without the "one-upmanship" sales incentive provided by the prefix, total new car sales could fall. For an industry suffering badly from over-capacity, that

The other objection, put forward by the Home Office, is that the police see the identifier as easily remembered and thus a help against crime.

THE PLAZA AGREEMENT

Strong words for Mr Baker

By Philip Stephens, Economics Correspondent

THERE WERE smiles and elstio n at New York's
Plaza Hotel on September
22 last year when the five most
powerful industrial nations
announced their accord to drive down the value of the dollar. When finance ministers and central bankers from those central bankers from those same countires meet in Washington later this week there may well be scowls and dismay. The spirit of the Plaza—the new mood of co-operation between the US, Japan, West Germany, France and Britain in international economic policy—religion. Is little in evidence on international economic policy-making—is little in evidence on today's anniversary.

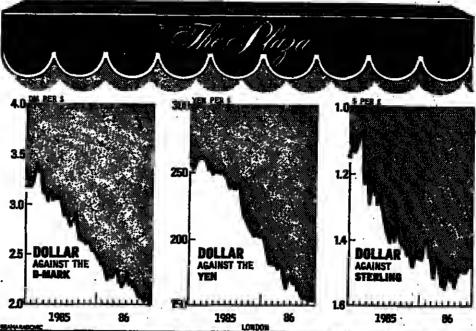
Last week's bout of trans-atlantic mudslinging which spun financial markets into turmoll risks wrecking the central achievements of the New York

agreement—an orderly, con-trolled decline in the dollar's value.
The irritation on the European side over the decision by Mr James Baker, the US Trea-Mr James Baker, the US Treasury secretary, to talk the US currency down further was much in evidence at this weekend'a meeting of European Community finance ministers at Gleneagles Hotel, Scotland.

Publicly, the ministers were emphasising the need to restore co-operation with Washington.

Privately they were promising Privately they were promising strong words for Mr Baker on the dangers of e free-fall in the US currency's value.

Despite these signs of strain, the achievements of the Plaza should not be understated. Since the meeting the Group of Five has managed to secure a 22 per cent devaluation of the most important currency in the international monetary system



the New York meeting hit a deficit and parallel surplusses currency that was already on in Japan and West Germany.

As protectionist sentiment in Congress has resurfaced, the came with the halving of the Washington Administration has tion and interest rates which came with the halving of the oil price shielded the US from e collapse of confidence among

Mr Baker's decision to take the US out of four years of self-imposed economic isolation held out the prospect of a new co-operation and coherence in international policy-making. It is that concentation of

effort that is now being frac-tured.

In some respects it was more dollar's decline has not done by luck than judgment. Tha enough to reverse the fundamental in the few ways and the few ways and the few ways are the fundamental imbalance in the few ways are the few

and West Germany to take on the burden of e "fair share" of world economic growth as the central issue. Tokyo and Bonn are blamed for not doing enough to stimulate demand for US goods to allow American industry to capitalise on its

competitive gains.
In Europe the analysis is fundamentally different. The return of the US to international policy co-operation also included a commitment to reduce its budget deficit con-

the capital inflows it necessi-tates, which is behind the imbalance in US trade. Of course, there are other reasons for the trade deficite failure to respond to a lower dollar. The traditional lag before trade volumes adjust to exchange rate movements—in economists' jargon the J-curve

the dollar's decline. It has fallen sharply against the currendes of countries accounting for roughly half of the US trade, but has hardly depre-ciated at all against those of nations representing the other half. Industry in Canada, South Korea and Taiwan has

much more of a long-term problem than that of West Germany
is in part at least a reflection of
the dollar if it continues to the structural imbalance be-tween savings and investment opportunities in Japan. "We believe we must clarify

day's Group of Five taiss and
the subsequent gatherings at
the annual meetings of the IMF
is that Washington should stop
looking for quick remedies. A
half-point cut in the German
discount rate would make an
invisible dent in the US trade

At the same time, Mr Baker's counterparts will be urging that the good intentions of the Gramm-Rudman-Hollings deficit reduction bill are quickly translated into action.

Above all, however, they will be asking the US Treasury Sec-retary to stop talking down tha doller. "There has been e great deal too much loose talk on this subject, I hope there will be a great deal less," Mr Nigel Lawson, Britain'e Chancellor, said at this weekend's meeting. The fear is that the US cur-

The fear is that the US currency's present slide could turn into a free fall, driving US interest rates higher and the American and world economies into recession. At the same time the IMF's analyses suggest that a further depreciation of the dollar against other major currencies would have only a clight. rencies would have only a slight beneficial impact on the trade

Mr Baker's comments on the dollar have tarnished his image. "The Americans have no sense
of history . . . they don't remember the disastrons consequences of the dollar's devaluation in the late 1970s," is bow one senior European official puts it.

And the huge Japanese sur- The Europeans are aware, plus which the International however, that if they are to Monetary Fund regards as restore calm to the markets and

opportunities in Japan.

The message that European governments will take to Friday's Group of Five talks and mon ground "was the comment of one senior official et the Glexians." mon ground" was the comment of one senior official et the Glexor one senior omeral of the cleke eagles talks. One aspect of that eagles talks. One aspect of that might be an attempt to put Japan back into the spotlight as the real villain, particularly since the Tokyo Government's latest package of expansionary measures is regarded as dis-

eppointing.
More difficult will be finding e way of giving Mr Baker some sort of political victory to pre-sent to American voters ahead of November's congressional

One possibility might be to present the still preliminary work done by the IMF to agree a set of uniform indicators for economic policy and performance in the leading industria nations as e successful US initiative to establish e framework for balanced growth.

Although West Germany faced come discreet pressure this weekend to make it clear to tha Americans that the door had not been closed perma-nently on an interest rate cut. no one was optimistic that a redoction could be delivered in the next few weeks.
"There just is not that much
to offer to the Americans: it may

come down to trying to per-suade Baker that a dollar col-lapse would be just as bad for him as for us," one European who will be attending the Wash-ington meeting sold ington meeting said. If that is the case, any smiles and handshakes this week will

US still hammering home the Plaza message

A year after Mr Baker, the US Treasury Secretary, transformed his country's foreign econmic policy with the Plaza agreement the world economy is still haunted by the twin threats of currency instability and protectionism which stem from America's massive trade deficits.

But sceptics who feared then that the egreement represented no more than a quick fix to a pressing political problem—the imminent threat of restrictive rade legislation in Congress— have been forced to reconsider. Mr Baker today claims the qualified success in the sense that the adjustment of the rele-tive values of the currencies has

tive values of the currencies has been accomplished in an orderly way without any resurgence of inflation and without any constraints on (the US's) ability to attract capital."

But it is evident from the unremitting pressure which the US continues to apply on Germany and Japan to stimulate their economies that the "success" of the Plaza accord is only partial.

nterstete Bancorporation Cairns and Hallwood stayed in

The British connection

In spite of the sharp decline in the value of the dollar from its peaks in February 1985—a decline which may or may not have been accelerated by the Plaza accord—the US trade deficit this year is heading for a new record of around \$170bn. The leakage of demand abound

checked trade deficit and asso-clated economic weakness may help to tip control of the Senate to the Democrats in exchange rate changes to reNovember's mid-term elections.

There is no doubt that the Implicit in such statements is

November's mid-term elections.

There is no doubt that the post-Plaza fall in the dollar in the threat that the US will not to the Administration. It has helped contain the US-trade deficit hand, under the rubric of economic co-operation, produced two internationally co-ordinated cuts in interest rates aimed at boosting economic growth in the major industrial

duce trade imbalances."

Implicit in such statements is the threat that the US will not stand in the way of a dollar of interest rate cuts. Fed vice-chairman Manuel Johnson admitted as much last week.

Mr Baker is however hopeful that the process of economic of the expansionary effects that the process of economic out at the Tokyo summit can be made to work. The five and the seven major industrial of finance ministers that

that faster growth in Europe and Japan will reinforce the effects the lower dollar should eventually have in stimulating US exports. Third World debtors also benefit from lower

are additional measures to pro-mote higher growth ebroad.

countries. Americans believe cautious European and Japanese response to this pressure to a dangerous miscalculation of the growing intensity of pro-tectionist sentiment in the US. This, they argue, is rooted in the country's historic isola-

"America should tell its trading partners if you don't open your

A major problem for the US is the fact that domestic econois the fact that domestic economic conditions do not permit the Fed to lead another round of interest rate cuts. Fed vice-chairman Manuel Johnson admitted as much last week.

The is a forecast which is

ate together the international compatability and internal comsistency of their economic fore-casts through monitoring a set of economic indicators. Mr Baker himself warns that

a new record of around \$170bn. The leakage of demand abroad continues to sap the vitality from an American economy firting with a recession which could further damage the world's trading system.

The Republicans in the White House and in Congress are already fearful that the unchecked trade deficit and asso-

To the charge that it is the US which most urgently needs remedial action, namely more budget deficit, Mr Baker re-sponds that last year President Reagan took a "tremendous hit" on his 1986 defence budget.

countries agreed there to evaluate together the international Mr Baker describes as its "two primary commitments at the Plaza": to resist protectionist pressures; and to start to tackle the budget deficit.
On the evidence of the past year there is no reason to doubt Mr Baker's determination to keep the pressure on the other industrial countries to follow

the strategy he has adopted for tackling the world's economic problems.

The care with which he picks his moments to "talk the dollar down" suggests that he is well aware, however, that there are considerable risks in this

approach.
Indeed, it could boomerang.
Adverse reactions in the financial markets, slower export
growth in Japan and Germany as their currencies appreciate against the dollar and their exports falter, and the fact that the dollar is not falling against " the currencies of some of its most important trading partners

could still spell defeat for the Plaza strategy. Stewart Fleming

Men and Matters

A year ago James Cairns, 49-year-old US banker, was sitting on top of the world. He was just about to step down after e successful stint as head of the powerful American Bank-ers Association, the main trade issociation for the nation'e 14,000 banks and return to his amall bank in Seattle. mostly single-family homes in the UK which because of rent control and tenancy laws were their vacant value.

Then be was offered the task of reviving the fortunes of the troubled First Netional Bank of Oklahoma, one of the bigger in the US oil patch. But the group's main claim to fame is its expertise in "corporate rescue financing."
Among its recent deals it has
refinanced Saxon Oil, once the fifth biggest US independent driller, and Brook Hotel Cor-poration of Dallas, one of the biggest Holiday Inn licensees.

in tha US oil patch.

He knew the bank was in difficulties but felt it worth quitting the People's National Bank in Seattle, where he had worked for 23 years to take on the new challenge.

Shortly after he moved into the executive suite of Ckiahoma's second biggest bank, oil prices slumped, First Netional and to be rescued and Cairns was out of e job.

Now he has icined the Hell. Typically, Hallwood offers to retire bank debt at about half face valua which it finances by underwriting deep discounted share issues with a varity of US and European institutional investment groups including Carimore, M & G, Prudential. Save and Prosper and Scottish Amicable. Now he has joined the Hall-wood group, a US merchant banking operation with strong British connections, which specialises in rescuing troubled

With Cairns on board, Hall-wood is hoping to become more heavily involved in helping troubled US banks. Cairns says Cairns and Hallwood first met last summer when Hallwood offered to buy First National, but lost out to the glant Los Angeles-based First Last at a constant their above average pace.

touch.

Cairns' decision to join
Hailwood, where he will be part-time president of its financial institutions group and a director of its small Amsterdam bank. Insinger, Willems and Cie is a coup for this little-known group, hased in Cleveland, Ohio, but with a sizeable following in the City of London.

Its roots are essentially

Concorde boom
Concorde, after all, has turned out to be such a profitable business for Air France, the French national airline, that Jacques Chirac's conservative government has decided to stop paying its annual subsidies to the state airline to cover its supersonic investment.

Jacques Douffiagues, the

Its roots are essentially British and it did not have a Jacques Douffiagues, the Liberal Transport Minister, announced the end of subsidies public presence in the US until
April 1984, when it merged its
operations with two US real
estate investment trusts which
Hallwood had financially re-

Hallwood in the UK specialises of the deluge of application forms bursing up old property-rich companies. It owns about 900 in the UK specialises of the Concordes turned in a profit of FFF 80.8m last year paid Air Trouble down to TSB mill. As the deluge of application forms bursts into the receiving banks, harrassed sorters are dividing them into three piles—green forms from employees, pink



thanks to its sought-after daily Paris-New York-Paris service and charter flights. Air France paid back to the government half its Concorde profits or a sum of FFr 40.4m. With Concorde now operating

profitably, the supersonic jets will now be treated as any other aircraft operations for the pur-pose of Air France's balance sheet this year. However, Con-corde's overall investment charges are still higher than its current operating profits.

But the ensuing deficit will now be covered by the state airline which reported a profit of FFr 728m last year.

Shocking pink

ones from registered depositors and white ones from the rest of the world. Quite early in the process, it is said, the level of subscriptions on pink forms began to assume alarming proportions until someone pointed out that it was not the TSB's intention to give preferential treatment to readers of the Financial

Times.
Meanwhile another rumous doing the rounds in the City is that the pink forms, which assure applicants of et least some shares in the issue, have been changing hands in the black market et £20. What price my copy of last Tuesday's FT?

Bowled out

Scottish MPs may be forgiven for knowing little about cricket, but fans may be pleased to know that Edinburgh Labour MP Ron Brown got e sharppitched reply from his fellow Scot, EBC director general Alasdair Milne when be wrote to him suggesting that the BBC should provide sub-titles with cricket broadcasts to explain what the game is all ebout, Milne said in his reply that, as a Scot, he had to pay some attention to "the sporting tastes of 45m English people." The game is the national aummer sport and ettracts between Im and 2m viewers. As for sub-titles, he rejected them out of hand. them out of hand.

Brown is still not satisfied.

"Cricket is boring." he says,

"but that's not the point.

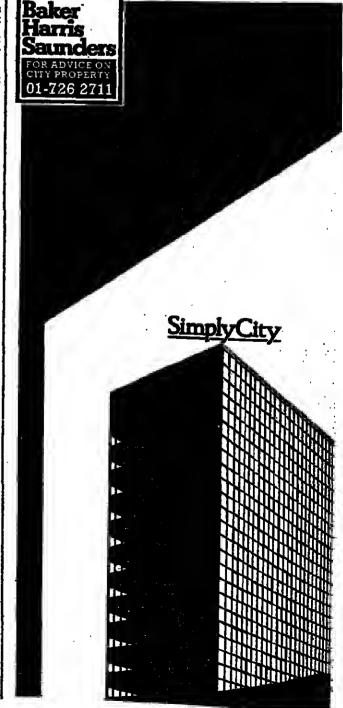
National and international issues are more important than

I wonder what Edinburgh'e Hearts supporters think about In Vino Veritas

mere sport, including football."

Heard from an intense middle-Heard from an intense middle-aged woman in a wine bar in London's Kensington: "Yon innow me, Angela, I'm not one to bear e grudge—not even against people who've done things to me I can never forgive."

Observer



THE VERDICT of the Shultz-Sheverdnadze talks in Washington over the weekend is plain but equivocal Both sides can see the makings of substantial agreements, notably in nuclear arms control, which would more than justify the holding of a second Reagan-Gorbachever agreement. But they are not arrespondent. summit. But they are not sure or at least the Americans are not sure—whether they really want to go down this road after all.

Ostensibly, there are objective stumbling blocks, in the shape of Daniloff, Zakharov and the 25 Russians. But even if we do not know who laid these traps on the path to the summit, or why, the way they are now being handled by both sides makes them look like pretexts for deeper misgivings, certainly for deeper misgivings, certainly on the American side, over the on the American side, over the political implications of a productive summit. To some people im Washington, in short, juanaged, conflict may be more comfortable than anything that smacks of determine

This does not mean that a second summit will not be held—the odds must still be in favour; nor that the two superpowers will not reach a major nuclear arms agreement—they may; merely that Washington and Moscow are still pondering whether, and at what price, they can replace the violent ups and downs of the recent past with a calmer and more amicable relationship.

For the past six years the world has been mesmarised by the erratic swings of the arms control drams. Will they, won't they, will they do a deal?

In 1980, under the twin pressures of Ronald Reagan's presidential campaign and the Soviet invasion of Afghanistan, the laboriously negotiated Salt 2 arms control agreement finally lost the change of will faction in arms control agreement finally lost the chance of ratification in the US Senate. In 1981 the superpowers resumed negotiations, this time on Euromissiles, and continued fruitlessly until 1983 when the new US weapons were deployed and the Russians walked out of the Geneva negotiations.

In 1984, nobody spoke. In 1985, a new triple-barrelled set of negotiations started up in Geneva, on strategic, inter-mediate and space weapons, and by the year-end summit between Mr Reagan and Mikhail Gorbachev, both sides were talk-ing about deep, 50 per cent cuts in strategic weapons in strategic weapons.

In January 1986, Mr. Gorbachev was talking about a three-phase agreement to eliminate all nuclear weapons, from all countries world-wide, by the end of the century. But by the middle of the year. Moscow had backed off from 50 to 30 mer cent cuts in the ICS. to 30 per cent cuts in the US-Soviet negotiations, and was declining to set either a date or an agenda for a second East-



Foreign Affairs

Mr Reagan hesitates to go for the big one

By Ian Davidson



Mr George Shultz

Part of the explanation, no doubt is that President Reagan, is not himself particularly well-informed on the technicalities of arms control, and is thus more susceptible to the pushings and the pullings of the opposing barons within his Administration. But another reason is that he has also, whether deliberately or unconsciously, adopted postures which necessarily load the arms control agends with the maximum charge of political intensity.

In his forthcoming Chatham House Paper on Arms Control, Lawrence Freedman divides arms controllers into two philosophical schools: the reformers and the managers. The reformers want to bring about major changes in the international system, because they regard the arms race as inherently bad and dangerous, and a cause of international tension. They therefore see the purpose of arms control as the purpose of arms control as the reduction of nuclear (and other) argenals. The managers, by contrast, believe that East-West tension derives from quite independent conflicts of interest and ideology; that not merely is independent conflicts of interest and ideology; that not merely is there no "arms race" to speak of, but that the balance of mutual deterrence is fundamentally very stable; and that the purpose of arms control is to ensure that that stability is sustained by the predictability of a framework of agreements.

Now it is notable that the high point of nuclear arms control, the Anti-Ballistic stability is successful to the inclear arms that they sound good on television. Yet the oddity is

west summit. It was all very baffling. And then came the Daniloff affair, which was even more baffling.

Part of the explanation, no doubt is that President Reagan, is not himself particularly well-informed on the technicalities of arms control, and is thus more toying with the idea of introtoying with the idea of intro-ducing anti-missile defences, the ABM treaty stopped the process virtually dead in its tracks.

The second Salt treaty conbut not until President Jimmy Carter (one of nature's refor-mers, if ever there was one) had tried and failed to divert the negotiations down the path of deep cuts: President Bresh-nev was interested in manage-

Now the paradox is that Ronald Reagan, that epitoms of the right wing, is also one of nature's reformers in the field of arms control. All his proposals have been simple and sweeping, designed to change the world and make it a better and a safer place; the so-called the world and make it a better and a safer place: the so-called Zero Option of 1981, which would have banned all intermediate-range nuclear weapons from Europe; the proposals for deep, 50 per cent cuts in the Start talks; the Stratagle Defence Initiative, otherwise knwn as Star Wars, which he hoped would make nuclear weapons "impotent and obsolete."

that he has committed himself alienate two constituencies: to proposals for radical changes in the international arms control the international arms control, and those arms control trol environment, in terms managers who maintain that which are extremely hard to everifil is a virtue because it reconciles with the ideological keeps alive the fear of nuclear image which he has projected weapons and maintains of the must be negotiated.

There is a committed himself alienate two constituencies:

they must be negotiated.

There is a conventional sort and sustain stability for both of wisdom which says that a right-wing Republican President is much better placed to do a deal with the Soviet Union, because he cannot be accused by Jesse Helms of being soft on Communism; that was why, in the last resort, the Democrat, Jimmy Carter, failed to bring thome tho second instalment of a process started by the Republican, Richard Nixon. Now this conventional wisdom may have a banal grain of truth in the tother hand, too much has by now been said by both have a banal grain of truth in it. But it does not satisfac-torily encompass the confrainc-tory strains inside President Reagan's philosophy, between a visceral Manichelsm about the essential nature of the relations between the US and the Soviet Union, and the Utoplan opti-mism implied in his arms con-trol proposals.

For whereas President Reagan's arms control pro-posals are those of a reformer, his other pronouncements are those of a man who would not naturally believe that reform was possible, let alone that it could be nagotiated with the Russians. If the Soviet Union is indeed an "evil empire," as he has claimed, or if the Rus-sians are prepared "to lia, to cheat, to steal," then they do not seem ideal partners in the enterprise of reform.

The reason is simple. Mr Gorbachev has no real interest in going through the domestic hassic implied by a deep cut, unless he can win a major con-cession on Star Wars; and Mr A radical reduction in nuclear arsenals would be likely to

Reagan will not forswear, however tangentially, his pre-cious Star Wars unless be can secure a major nuclear reform, ie a deep cut. The launching of Star Wars in March 1983 brought the Russians in the end to a negotiation on radical nuclear weapons reductions; at the cut the start of t the same time, however, it may have raised the stakes too high to be negotiable in political

In this quandary, the US and the Soviet Union are both tugged by two contradictory impulses: on the one hand, the manufacture of conditions of conditions of conditions of the magnifacture of conditions of blame the other side for a breakdown of the negotiating process; on the other, a salvage operation on the second summit, by seeking agreement in other, non-nuclear areas, where the stakes have not been raised too high. Daniloff-Zakharoff and the 25 Russians at the UN come into the first category; the Stockholm negotiation on confidence-building measures in On the other hand, too much has by now been said by both superpowers about the desirability of fundamental reform in the field of noclear weapons (i.e. deep cuts), for it to be at all easy to dibute the political dence-building measures in Europe into the second.

(i.e. deep cuts), for it to be at all easy to dilute the political problem by retreating to mere management. Everyone can see the tramework of a deal which is virtually ready to be picked up: a deep cut in offensive wespons, coupled with a long postponement of any deployment of President Reagan's Star Wars defences. But if this "grand compromise" is politically too difficult for Mr Reagan to swallow, the alternative is not some lesser deal on nuclear Europe into the second.

I would not exclude the possibility of a spectacular USSoviet nuclear weapons deal, sooner or later. On the contrary, the idea must be tempting for both leaders, and Ronald Reagan may decide, despite his visceral misgivings, that the prize is too great to let it be snaffled by either of his potential successors in the White House. On the other band, he has not yet passed the point of no return ou such a course; for the time being the forces at work are still consistent with at least two other scenarios. some lesser deal on nuclear arsenals (another freeze, say), but the postponement of any agreement size die. At least two other scenarios.

Arms Control: Management or Reform? by Lawrence Freedman. Royal lawrence for the lawrence of th

Lombard

A tax reform nobody needs

By Michael Prowse

the proposals of wanting to treat married couples "on a par with strangers standing next to each other at a bus stop," and he reminded women that the tax-man still treats them like characters in a Jane Austen novel—which cannot be altogether bad.

It would be tempting to argue that the Treasury's rheteric has aroused little enthusiasm that the Treasury's rhetoric has aroused little enthusiasm because the man-in-the-street is sharp enough to see the flaws in Mr Lawson's plans. The truth is that many people are bored by tax reform and anyway do not regard the present regime as too awful. If more people understood that, at a cost of £5bn, the Chancellor is planning to give every married couple two tax allowances, even if only one spouse is earning, more support might (mistakenly) be forthcoming. If you spend this sort of money you ought to be able to make some people happy.

The cost of transferable

NOBODY CAN say that the British Treasury has not tried to sell its proposals for reforming family taxation. Since Mr Nigel Lawson, the Chancellor, unveiled the personal tax green paper on Budget day, no fewer than four Treasury ministers have made a total of five tubthumping speeches explaining the virtues of the proposed changes. The standard of rhetoric has been unusually high only last week, Mr John MacGregor accused critics of the proposals of wanting to treat married couples on a par with to the wife. Some economists estimate the number of employed women might be reduced by 200,000 as a result.

Transferability, as the Down ing Street policy unit under Mr
John Redwood was brave
enough to point out, would also
create buge administrative
beadaches at a time when most beadaches at a time when most countries are striving to simplify their tax codes. The clean, economical and simple solution (which the Treasury failed even to consider in the green paper) would be to abolish the anachronistic married man's extra tax allowance and give every adult, regardless of sex or marital status, the same standard non-transferable allowance. This would be fair both to partners within marriage and to single people, who would never expect to get the benefit of a tax allowance if they did not work. Equal but non-transferable allowances offer wives real independence; the

(mistakenly) be forthcoming. If you spend this sort of money you spend this sort of money you ought to be able to make some people happy.

The cost of transferable allowances is a powerful argument against their introduction in the foresceable future. Economic policy is, or ought to be, about making the best use of available resources. Would it really be right to spend £5hn on an indiscriminate benefit for maried couples when 1.3m people have been out of work for more than a year? This sort of money would more than pay for a job guarantee for the limination of national insurance contributions for the climination of national insurance contributions for the low paid or tho abolition of corporation tax.

Even if there were oo other more pressing causes, the introduction of transferable allowances would make little sense. The sex discrimination in the tax code certainly needs to be removed, but women can be

Cost of TV quality

0.005

From the Technical Director, Thorn EMI Ferguson

Str.—John Chittock's thought-ful article (September 18) on "The high price of picture quality" fairly describes the situation which faces some of today's television engineering managers. Those brought up in the technology limited environ-ment of this industries' forma-tive years are still having to come to terms with the periodic come to terms with the periodic lack of marketing enthusiasm for developments equivalent to those which, in the past, might well have gone straight through to production "on the nod."

However, in the case of HDTV many UK and other European engineers believe that this time they have "got it right" both in technical and commercial terms, with the proposal for a fully compatible gradual development of the "MAC" system into a truly high level of performance, "Evolution, not Revolution."

There are genuine technical reservations about the NHK/ reservations about the NHK/ MUSE HDTV system, but there is no need to dwell on these. Suffice it to say that it really is much better suited to the Japanese or US studio (for which it was designed) rather than to the European home. Of equal or greater importance were the commercial objections: the very point which Mr Chit-tock was making, because of its extremely high introductory cost both to the broadcaster

The Japanese system is wholly incompatible with anything that we have at the moment — or are likely to have. Everything, from studio equipment to domestic receivers would simultaneously have to be both new and expensive. "High definition" programmes could neither be received on existing sets. nor ceived on existing sets, nor recorded on existing recorders; at least not without the simultaneous duplication of transmissions into the low definition standard as well it would evolve into a low penetration service for the well off — hardly television for the masses.

hardly television for the masses.

The European counter proposal, now elevated to Eureka project status sponsored in this country by Thorn EMI, and elsewhere by Philips, Thomson and Bosch, is specifically designed to avoid this trap. At the same time a full facility for world-wide programme exchange is to be retained. world-wide programme ex-change is to be retained.

While consumers benefiting from the improvements will obviously have to meet addi-tional costs, these would be-come due progressively as the service or standard develops, come due progressively as the service or standard develops, and even then fall only upon those who wish to pay. Older MAC receivers awaiting replacement will continue to be of use boards and attendant micro processors which are built into typewriters, word processors, and personal computers are leading this growth. What is not so often recognised, however, is that these

Letters to the Editor

Cambridge House, Great Cambridge Road, Enfield, Middlesex.

Pensioners' bouquet for Grand Met From Mr P. R. Hyatt

Sir.—In recent months your columns have been full of references to companies which have been reporting actuarial surpluses on occupational pen-sion schemes. In many cases these have been used to provide improved benefits or reduced contribution rates to members contribution rates to memors
still in service. Just occasionally
a few crumbs are handed back
to the pensioners, the real
value of whose pensions has
beeneroded to 25 or 30 per
cent of their value at retirement

date in the early 1970s or earlier. It is therefore encouraging to report that after personal repre-sentations made to Sir Stanley Grinstead and his board, Grand

British industry is often accused of turning a deaf ear to disadvantaged minority groups. Perhaps directors of other listed companies should take note and follow Grand Met's example. P. R. Hyatt.

3 Alderley Court, Chesham Road, Berkhampstead, Hertz.

Volatile market in electronics

From Mr K. Wharton Sir,—in your survey on Office Equipment (September 15) you rightly make the point that this is the growth industry of the 1980s, and probably the 1990s as well. The electronic key-boards and attendant micro pro-

to their existing owners without quality loss or programme
denial.

Lessons have been learned.
"Big Bangs" may have a place
in the City, but they are not
always welcome in the living
room.
D. R. Topping.

Cambridge House.

same electronics produce a very
volatile market, and the vendramatically and very quickly.

Mr Carlo De Benedetti of
Olivetti summed it up very
clearly when he said at a conference recently: "Product and
market planning are crucial;
one mistake and you are dead."

His own company's performone mistike and you are dead."
His own company's performance is testimony to his comments as its industry standard personal computer has captured 20 per cent of the European market just two years after it

When Lord Stockton was Prime Minister he once said of the Treasury statistics that "it was like trying to run a railway with last year's Bradshaw." It would appear from the recent string of dismal results produced by the electronics sector that too many organisations are still trying to do the same.

Keith Wharton. Wharton Information Systems. Regal House, London Rd, Twickenham, Middlesez.

Award for import prevention

From the chairman, Arthur Sir.—Slagging British manufacturers is a pastime only to be equalled by the complete indifference of most members of the public as to where products they buy are made.

I would like to suggest two
ways of correcting this unhealthy thinking.
Recently, changes in the
preparation of major companies'
balance sheets dictate that they have to state how much they ex-port, and to where. Why not extend this legislation to include

port, and to where. Why not extend this legislation to include bow much they import and from where?

Secondly, we have a Queen's Award for Exports. Admirable, of course, but why not one for import prevention? It would go to those who wish to remain British but who go unrecognised for their efforts that in a lot of cases are undenbtedly less profitable than taking the soft option of relying on imports.

A. J. M. Price.

Britannia Way, Lichfield, Staffa

Debris always part of the Thames From Mr H. Purchase

fill me with confidence. Experience negates this, regretably.

As someone who has rowed, sailed and boated in a whole variety of other forms on both the tidal and non-tidal Thames for close on 50 years, all I can say is that great lumps of debris have always t However, the river is probably somewhat cleaner in "health" Substantial penalties for

positing litter may be partial solution, but I suggest that the cost of cleaning would be pro-

Harry Purchase. Sharwood House, Coronation Rd, South Ascot.

Non-executives available From Mr M. Priest

Sic,—The Institution of Mechanical Engineers also holds a register list of experienced non-executive directors (letters, September 3 and 16). In the past we have listed with the Institute of Directors and with the Promotion of Non-Executive Directors, but to our knowledge no placement has yet been made from our list.

The DischE is willing to supply information and details to any company that would care to contact us. M. Priest.

Manager—Professional Services. Institution of Mechanical Engineers, 1 Birdcage Walk, SW1

A refreshing conclusion From Mr P. O'Meara

Sir,—Throughout the Swinging Sixties my observations,
conducted in a British infantry
battalion, matched Mr Goeling's
(September 12), tea consumption declined, and that of confesincreased in the orderly room,
in company offices and in the
messes of all ranks. The
sergeant major's brew became,
or time brought seniority, the

While, therefore, I cannot up-set Mr Gosling's theory relating of British cricket, I beg to cau-tion against extrapolating from it to any other pairietic or mache pursuits.

P. H. B. O'Meara. Sir — Under normal circum-stances the letter from Mr Roy Watts (September 10) would 90, Fenchurch St, EC3. "This advertisement is published by Baring Brothers & Co., Limited and N.M. Rothschild & Sons Limited on behalf of

The Directors of BET Public Limited Company are the persons responsible for the information contained in this advertiser To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of BET Public Limited Company accept responsibility accordingly.

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FINANCIAL TIMES

Monday September 22 1986



Roderick Oram on Wall Street

Mid-West spell loses its grip

THE NEW YORK Stock Exchange was taking no chances on Friday when "triple witching hour" struck. Regulators flew in from Washingthe to scrutinise the first attempt to dampen market volatility which was triggered by the once a quarter witching hour when stock index futures and options and individual stock options simultaneously ex-

All day the electronic mes boards scattered around the trading floor asked members to "extend every courtesy" to the visitors who were observing the expiration and the pilot procedures in 30 Dow in-

The exchange need not have wor-ried. It turned out that the boisterous elements on the market had departed eight days before when the steepest daily drop in share values in 24 years allowed many futures players to take their profits early.

The premature departures spoilt the NYSE's experiment - prompted by the Securities and Exchange Commission (SEC) and watched eagerly by the Commodity Futures Trading Commission (CFTC) - for traders to declare their "market-onclose" orders in 30 blue chips half an hour before the closing bell.

Satisfaction with the performance was expressed by Mr Robert Birnbaum, president of the NYSE, and Mr Richard Ketchum, the SEC's director of market regula-

But "neither of us is declaring success or failure" until all the data had been enalysed, Mr Ketchum

"It went very quietly. The market reacted very well," Mr Birnbaum said. But it is "too early to tell whether we would use the same procedure or do something else in three months' time." He reiterated the Stock Exchange's preference to coincide with the market's opening to give traders the full day to smooth out orders. Such a move however would require co-operation from other exchanges and the changes would take some time to

tors, Friday will have done little to end the debate over the role of stock index futures. To their fans, they are ways to hedge, arbitrage and otherwise maximise returns and/or minimise risks in the stock

To their detractors, they turn the stock market into a volatile casino, a disorderly house into which no respectable money manager or small investor dare venture.

Deep beneath the debate runs the undercurrent of a culture clash. Stock index and other financial futures were born in the commodity futures pits of Chicago, the city which made its first fortune as "bog butcher to the world." High-risk boom and bust trading is in the blood of Chicagoans. When the NYSE plunged on September 11, six futures traders had to sell their Chicago exchange seats that night to meet margin calls.

By trading in stock indices, which are no more than baskets of shares. these high rollers are treating shares as commodities. They look askance at the Easterners who carefully research selected stocks in the hope of spotting a winner. In-dex futures are a "no-brain" game,

Chicagoans had to push hard to get stock index futures rolling. But six years on it is, ironically, those Easterners who are hooked. At least four types of participants have joined the players who still account for roughly half the volume, according to Morgan Stanley Capital Markets. These are:

• Investors arbitraging between stock index futures and the under-lying stocks. Although they account for about only 15 per cent of futures volume, their programme trading is making them the villains of the piece among people seeking scapegoats for the stock markets' roller-

 Large brokerage houses trading on their own accounts mostly for sbort-term gain. They generate about 12 per cent of the volume. Individual investors playing futures for their personal gain and account for about 5 per cent of trade.

count for about 5 per cent of trade.

Institutions and corporations using futures as portfolio insurance, seen as the original benefit of futures. Their business represents about 18 per cent of the total.

Quite what effect these players have on the stock market is fiercely argued and tends to generate more heat than light. At the moment, the SEC is firefighting rather than managing the forest. It is concentrating on reducing expiration-day volatility rather than laying bare the fundamentals.

This leaves some people, shut out

This leaves some people, shut out of the game by timidity or lack of resources, believing Chicago is making another fortune: This time as stock butcher to the world.

Robin Pauley. assesses a growing political issue in Britain

Tax reform takes centre stage

has again been thrust before the British public by politicians trying to gain votes by making existing taxes less painful – or at least making it appear so.
This indicates not only that the

summer is over and the political conference season is in full swing, out also that the opening shots have been fired in the campaign leading up to the next British general elec-tion which must take place no later than June 1988. Most commentators expect it in the spring or autumn of next year.

ment has been between the Labour Party, which has wanted to raise benefits for the poor and tax the rich, and the Conservative Party, which has wanted to cut taxes and restrain expenditure on benefits. This has been changed by the third party force of the Liberal-Social Democrat Alliance which now nakes a consistently strong show-

ing in the opinion polls.

The Social Democratic Party has dragged the complex subject of taxes and benefits to the centre of the political stage. It confirmed at its conference last week that it intends to make its plans for a radical reform, by integrating the taxation and benefits systems, a major elec-

The Liberal Party starts its conference today and it plans a variation of the same theme. The Labour and Conservative Parties, both with conferences within the next three weeks, jumped in with their views. Suddenly, pobody wants to be left

British citizens living outside the UK have only 2% weeks in which to register if they want to vote in a general election called before February 1988. Only about 5,000 people have so far registered out of an estimated 500,000 or more expatriates who are eligible. Page 8

comes of the poor, simplifying the tax and benefit systems and mak-ing them consistent with each other. Inevitably, such schemes for the redistribution of wealth involve either heavy costs or substantial

No scheme so far proposed is painless. Under the Alliance schemes, losers could start as low down the income scale as £10,000 (\$14.750) a year and couples in which both the husband and wife work would fare worse than couples in which the wife stayed at home. The Labour plans imply a hefty £4,000 a year increase in the tax bill for people earning £30,000 a year. Both seem likely to deter as

many new voters as they might at-tract and all the parties have dework to come up with better schemes. The Conservatives have come up with nothing so far, limting themselves to scorning all ideas put forth, claiming variously that they will lead to higher taxes for all middle income groups, the highest top tax rates in the world and a "brain drain" with Britain's best managers and industrialists

In fact there is nothing extreme about the burden of tex and social security contributions in Britain. The percentage of total personal incontributions) in 1983 - the last year for which comparable data are available - shows Britain firmly in

the middle. Sweden heads the league at 25 per cent followed by the Nether-lands, West Germany, Belgium and Switzerland, all over 20 per cent. Then come Britain and Canada (17 per cent) followed by the US at 16 per cent, Australia and France (15 per cent) and Japan at 12 per cent.

The same sort of league table oc-curs if personal income tax is looked at alone. The percentage of gross earnings paid in income tax by an average production worker with two children ranges from 34 per cent in Denmark to 0.4 per cent in France with the UK and US both

respectively.

The controversy in Britain centres around the fact that tax becomes payable at a very low level of income - £2,335 a year for a single man and £3.665 for a married man. The starting rate of tax is high at 29

which starts at £17,201 a year and the top tax rate is 60 per cent pay-able on all income over £41,200 a

security costs. This starts at 5 per

able. So effectively there is a tax rate of 38 for cent at the starting point of income tax.

The real problem in Britain is the way in which the taxation and social security systems interact in a way which means that several million people on low incomes find it vir-tually impossible to increase their es because the more they earn the more they lose through tax

Many people start to lose their so-cial security benefits as their in-come rises. The combined effect of tax payment and lost benefits can be that people on very modest in-comes face a marginal tax rate as high as 70 or 80 per cent on new

A further political problem is that A further political problem is that successive changes to the income tax regime since the Conservatives took office in 1979 have greatly benefited the well paid while the poorer peld, particularly the imenployed, have become relatively

For example, the 90,000 people with an income in excess of £50,000 have received income tax cuts worth an average £12,780 a year. At the other end of the scale, the number of people living on or below the official poverty line – an income of £3,400 a year or less for a family with two children – has nearly doubled from 5.9m in 1979 to 10.2m

the National Insurance Contribu-tion - which is paid towards social portant that it will have to come up portant that it will have to come up with its own radical ideas before All the opposition parties have come taken by direct taxes on cent at an income as low as £1,976 a the general election if it is not to ideas which have common aims of households and social security conimproving substantially the intributions (excluding employers' time income tax starts to be pay-political price.

gearing up. And housing finance is just one among so many deregulat-ed financial markets, escaping to the fringes of prudential control.

considered on the daring side.

THE LEX COLUMN

A mortgage for the Governor

agencies are sprouting in short-lease corner shops. From Vienna, a discreet distance, by means of a speech, the Bank of England has autioned mortgage lenders against letting their borrowers get over-ex-tended. Was the Governor doing more than including in a gesture of distaste for the cyclical saturnalia? Perhaps not: Mr Micawber's dictum on self restraint is invariably trotted out when the housing mar in this cycle of aggressive lending and high-running house prices, the market is based on an institutional structure quite alien to the queuerationed building society world of the 1970s. Banks and insurance companies are deeply enmeshed with the market, making house property a cornerstone of their growth plans. Houses are financial assets; the Englishman's means of

Boldness

The simple tests do seem to con-firm that borrowers and lenders have grown bolder than they were. New loans approximate more closely to 100 per cent of the property value and the average degree of income cover for the interest has roughly halved in the last seven years. It seems moreover that years. It seems, moreover, that qualify for triple-A status in the se-curitised mortgage market so long as the underlying loans do not exceed 3½ times the borrowers' in-come - a multiple that used to be

Given the new fixed investment of banks and insurance companies able patches at both ends of the in the property business – to the naked eye, an industry with no entry barriers and low margins, which

train themselves, or accede to mor-al pressure from the Bank. Lloyds Bank is not going to ration mort-gages in the interests of monetary restraint when it has several hundred rampantly hungry estate agen-cies to support. Add on the incursion of foreign lenders, mainly in big-ticket loans, and the Governor's desire to stem the tide of mortgages akes on a Canutish air.

It is another question whether the evolution of housing finance is causing genuine problems. Looking at the aggregate balance sheet of the householding sector, it is possi-ble to take comfort from the extent to which these signs of credit ero-sion are offset by the growth in personal holdings of financial assets. The well-known leakage from mortgage lending seems to have stabi-lised at about half the amount borrowed; this has evidently gone into unit trusts and high-interest depos-its as well as consumer durables. Phillips & Drew estimates that liquid savings outweighed mortgage liabilities at the end of last year by about two fifths.

But it is unlikely that the liquid ssets can be concentrated among the same people who have borrow ings of over three times their in-come. In a major tightening of interest rates, there could indeed be a rise in the rate of casualties among borrowers, the value of whose major asset classically drops ever fas-ter, the more urgent is the need for a quick sale.

Although the middle ground of the housing market should never-theless hold fast, even with 20 per cent mortgage rates and 20 per cent unemployment, there are vulner-able patches at both ends of the

London is blanketed with "For sale" boards, and short-life estate erous terms from the buyers – these programme; extending home-lenders will be the less likely to resonwhership to properties for which no secondary market existed was a risky policy from the beginning.

At the other extreme, the specu lative character of the central London housing market seems to have taken on a few new twists. London house prices are notoriously higher above the corresponding national average than are London incomes. Of course, the ability to tolerate a given ratio of income gearing rises with income, since a smaller pro-portion is needed to meet living ex-penses. Since the prosperity zone around the capital has consistently pulled incomes further ahead, the disparity in prices could be expect-ed to widen.

Exaggeration

But the way that the City's (the financial heart of London) interna-tionalisation has linked pay scales to those available in New York or Chicago has done something to exaggerate the effect, as has the corporate need for significant numbers of foreign bankers and brokers to e housed in central London. It is probable that the colonisation of the City has wound the price spiral tighter by introducing a pool of (rel-atively) price-insensitive demand. If one were to look for the micro-

market where it made most sense to worry that prices might conceivably collapse underneath over geared homeowners, this would fit the bill. If the foreign shock troops were withdrawn - after the general election, say - that could help tilt the market, from Chelsea to Docklands, out of chronic shortage into over-supply. It is idle to suppose that if the expected shakeout of in-comes arrives in the aftermath of Big Bang there will be no ripples into the housing market. Nowhere would a credit squeeze affect incomes more sharply than the City.

Developing countries face 'hard task' in restoring economies

BY GEORGE GRAHAM IN LONDON

DEVELOPING countries face the depressed commodity prices, in-hard task of restoring their econ-comes per head of population fell in hard task of restoring their econ-omies and credit worthiness, ac-cording to the World Bank. The bank said these countries saw their hopes of faster growth founder last

dustrial world slowed.

However, last year saw rhetoric ing world. In Africa per capita intranslated into action, the World comes declined for the fifth conseclished today with agreement on the need to stimulate growth in the heavily indebted developing world and increased lending by the bank itself for structural adjustment pro-

The social consequences of austerity programmes could be severe for the poor and caused political strains in a number of countries. The Bank sees increasing conver-gence on the need for growththose aimed at depressing domestic

Growth in the developing countries slowed last year to 4.3 per cent, the World Bank says. This was growth achieved before 1980. With

Rover reviews

plant's future

Continued from Page 1

But total aid to the region, expect-ed to reach \$32.8hn between 1986 and 1990, would leave a resource gap of \$2.5bn, the bank says.
"Without additional resources, in

the form of new aid and debt relief to those countries that continue task is to funnel resources from the

1980, this region's per capita GDP has fallen by 16.6 per cent.

This year the region began to emerge from one of the worst fanines in recent history, and the bank expects per capita incomes to rise for the first time in five years. However, low-income Africa still remains poorer today than a quarter of a century ago.

The bank reports an encouraging

start for its special facility for sub-Saharan Africa. The bank approved \$782m of credits in 15 countries dur-

their efforts at structural adjustment, their attempts to help themselves will fail," the bank says. tious in their approach to develop-

ing countries last year. Long-term net disbursements to developing countries totalled about \$36bn in 1985' the World Bank reports, while interest payments on long-term debt reached almost \$58bn. The bank itself made loans of

International Bank for Reconstruction and Development (IBRD) and \$3.1bn in 37 countries through the International Development, in its 1986 fiscal year, ending in June. IBRD lending in the year to June

1987 has been set at between \$13.5bn and \$17bn, while IDA lending has been set at SDR 2.7bn.

Report details, Page 5

Continued from Page 1

great deal less." The Longbridge assembly com-plex at Birmingham, with 14,000 workers, will be retained as the The one man who did not look core of the business because it also ures engines and gear-At Cowley, there is the obvious

option to concentrate all assembly in the north works where investment has taken place recently for the launch of the new Rover developed jointly with Honda. There is adequate capacity to transfer Montego assembly from the south The logical time to vacate the

World Weather

south works would be in 1989 when the replacement model code named the ARS is scheduled. This car, cru-cial to the attack on the fleet market, is being developed jointly with **EEC urges stable \$**

the subject. I hope there will be a

articularly happy at the progress of the talks was Mr Karl Otto Pohl, the Bundesbank governor, whose insistence on maintaining West Germany's discount rate sparked Mr Baker's retort and the resulting

nate their common position for the Group of Five talks scheduled for Friday, in advance of next week's correct large imbalances on its correct large imbalance annual meeting of the International Monetary Fund (IMF) and the World Bank.

wrong. The ministers believe Wash- first.

ington is putting too much store by the need for faster growth in West Germany and Japan or on a lower dollar, to correct its \$180bn annual trade deficit. They believe attention should rather be on the US budget deficit as the principal culprit.

Mr Onno Ruding, the Dutch Finance Minister and chairman of the IMF interim committee, quoted The British, French and West IMF staff papers prepared for the German finance ministers met annual meeting which stressed the again yesterday morning to co-ordilimited impact of a declining dollar

"It is not a good instrument to correct large imbalances on the cur-rent accounts," he said. "It is the wrong instrument." He criticised the priority given to political consideration in US economic policy-mak-A key concern emerging from eration in US economic policy-mak-Gleneagles is that the US Adminising, and argued that, for once, ecotration has its economic analysis nomic fundamentals should come

Continued from Page 1

the sector be kept separate.

The US had warned before the

Links on securities regulation agreed

A LONG-AWAITED agreement be tween the US and Britain on co-op-eration in the regulation of securities and futures markets is due to be unveiled tomorrow by Mr Paul try Secretary.

The accord follows months of intense and delicate negotiations between the Department of Trade and Industry and the US Securities and Exchange Commission. It has also involved other regulatory bodies on hoth sides of the Atlantic such as Britain's Securities and Invest-ments Board and the US Commodi-

It will provide for exchanges of information between regulators seeking to track down trading abuses such as insider dealing and will thus better equip them to cope with the increasingly cross-border nature of trading in securities.

An additional effect will be to clear the way for the individual reg-ulators to approve trading links be-tween exchanges, plans for which have been held up while the governments have negotiated.

The London Stock Exchange, for example, plans a link with the Philadelphia Stock Exchange under which the two exchanges currency options contracts will become inter changeable. The Chicago Board of Trade (CBOT) has applied to trade futures based on the Financial Times-Stock Exchange index of 100

Later, the CBOT is to have trading links with the London Internamal Financial Futures Exchange (Liffe) and the London Stock Exlinks with US stock exchanges.

The US-UK accord is one of e series of bilateral deals which also involve Japan.

Recently, however, pressure has been growing for far more exten-sive co-operation between regulatory authorities in response to the in ternationalisation of markets.

The services question was only

Gatt agrees new round

down over the wording of the text compromises that allowed all sides on farm trade and the terms under which services could be discussed.

On the farm trade issue, the EEC

The US had warned before the meeting that it would walk out of the areas for discussion to "all dithe conference if services were not rect and indirect subsidies," there-

made an integral part of the trade round, while the hardline group of which are used by the US into the negotiating process.

On agriculture, the EEC put up a tough battle to alter the wording of the text which implicitly targeted negotiations towards an elimination of the export subsidies that are to handle anything beyond trade in

a vital component in its Common
Agricultural Policy (Cap). A "free
traders" lobby of 14 countries, led
by Australia and openly backed by
the US, sought tougher language.

Both problems were resolved by

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Deutsche Bank



96.4

1,410



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday September 22 1986



INTERNATIONAL BONDS

Caution dissolves into unmitigated gloom

AS THE Eurobond market's steep decline left even the week's smarter deals looking bedraggled, one syndicate manager on Friday evening confided — I think I'm going to take

points on the day, the mood of cau-tion which had prevailed for most of the week dissolved into mmriti-

gated gloom.

For Eurodollar bonds, the poor state of US credit markets amid the

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n?

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nk

practices. Wild - though unsubstan-

BY ALEXANDER NICOLL IN LONDON

rent prices move far more sharply than those of the underlying shares due to their gearing effect.

Price movements have at times

relatively well. A Banque Indosuez tion amounts of each depending on the back of the US compatible to their gearing effect.

Price movements have at times

relatively well. A Banque Indosuez tion amounts of each depending on the back of the US compatible to their gearing effect.

The maximum redemption price for my stock price, is now at 199%. On each tranche is 228 par cent and the Friday the same borrower lamehed appeared irrational. The potential while Citicorp's was viewed as agfor losses and abuses has already gressive for such a frequent borrowIn West Germany, the bond marthe bottle of sake out of my desk for losses and abuses has already drawer and just drink it."

With some bonds falling two points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fighten warrant trading points on the day, the mood of cannows to fight the fight of the discounts nearly four points below strong currency might have encounted

tiated – rumours have been flying around the market after the recent gyrations.

A \$150m issue on Friday for Norges Kommunalhank with Normarket last week did so on terms basis points above US Treasuries at which would mostly have been from the sweral making and a write supervisors.

For Eurodollar bonds, the poor state of US credit markets amid the current revival of inflationary fears is compounded by the weakness of the currency, which forces non-US investors to hold well back.

Not only that, but recent tremors in world equity trading have meant an even more than usually exciting time in the market for continuous and the market after the recent gyrations.

A \$150m issue on Friday for Norges Kommunalhauk with Norse seeking currency gains an trading was quite lively at time basis points above US Treasuries at lamch, net of fees, also suffered from the general malaise.

There was no retail interest in the market, and the only chances of over US Treasuries as a Triple A success seemed to rest with specially bonds such as the \$120m\$ bull some interest from investors to be did spark some interest from investors to be seeking currency gains an trading was quite lively at time basis points above US Treasuries at a from the general malaise.

There was no retail interest in the market, and the only chances of cally bonds such as the \$120m\$ bull some interest from investors. time in the market for equity-related instruments, including warrants.

The warrant market is by its very nature extremely volatile – as can be seen by the chart – because war
distribution than usual – and fared to the sale of the s the high-profile problems of sor issuers, notably Dome Petroleum

yet another deal, this time in European currency units, which met a

TURIOVER (\$11)									
Primer	y Marint Straighte	Coor	FRM	Other					
DBS. Prov	1,953.1	1.0	1,818.0	3,251.4					
Other	2,117.9	77.1	829.6 523.9	125.2					
Second US\$	25.795.3		24,516,0	5,523.0					
Prev Other	24,729.1 11,003.5	1,210.8 201.8	19,206.2	5,495.7 4,095.9					
Prez	1,642.7	90.2	2,002.3	3,983.7					
US\$	Cedat 18,071.1		clear 38.4	Total 06,568.5					
Prev	14,817,0	45,5	45.5 62.5	60,162.6 23,137,3					
Prev	7,342.8		63.0	15,436.3					

EURONOTES AND CREDITS

Ireland wins fine terms on \$400m loan facility

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A LONG awaited \$400m loan facility the terms down to a level close to market which has seen a beavy ty for Ireland surfaced in the Europhose now prevailing for French compression of the terms available credit market late on Friday. Ire-land has awarded the mandate to ceived wisdom of the marketplace, Chase Manhattan and Mitsubishi Sank. says it has not been expecially con-Terms of the deal are predictably cerned to compare its own terms

fine. They include an annual facility fee of 4 basis points for the first standby credit will bear interest at Libor (London interbank offered rate), although there will be a utilisation fee of 7½ basis points if more than 25 per cent of the total is taken rising to 12% per cent on description. rising to 12% per cent on drawings amounting to more than 75 per

those now prevailing for French borrowers. Yet contrary to the perthe Finance Ministry in Dublin with those of any other particular

to all top-rated European sovereign borrowers. Ireland is traditionally seen as a much less attractive credit than France. Yet, it is launching a deal on terms to lenders only slightly more generous than those agreed

by Credit Foncier before the sum-mer holidays.

Against this it has a number of some rarity value in a market where deals are in short supply. Second, it has been pre-paying much of its traditional bank debt and refisered to the control of the control points for longer than the two years it has now accepted. It chose not to accept them because, although the of its traditional bank debt and refinancing it in the bond market. Al-

is held by bank creditors than be-investors.

arranging banks are now seeking to put together a group of 20 lead man-agers underwriting \$20m apiece to

The mandate follows a protected cess.

The mandate follows a protected and intensive bidding war in which Ireland had been expected to drive become all the more difficult in a growing, it does mean that less debt at rates at which it could be sold to

So far the association cannot see Finally, the deal is structured in a its way to the construction of an inway that seeks to avoid requiring any individual bank to put up an excessively large commitment. The per in New York. This index is calper in New York. This index is calculated by the Federal Reserve or the basis of a weighting that is a tightly kept secret. So far no organi-sation has been found that could

perform the same job in the Euro-market; the fear is that a commer-cial organisation might be persuaded to give top quality borrow-ers an excessive weighting in the index. Since few borrowers, if any, would be prepared to sell paper at anything but a few basis points above the index, this would mean that the paper of lesser-rated bor-

Saga **Petroleum** seeks capital

By Fay Gjester in Oslo

oll independent troubled by each flow problems, is to seek NKr 535m (\$74m) of fresh capital from the market through a one for two rights issue at par (NKr 60 per share). This is believed to be the largest capital expansion issue ever hunched on the Norwegian market. On Friday, Saga shares were quoted at NKr 66.50.

The new issue, proposed by the oard at the weekend, will be underwritten by a consortium comderwritten by a consortium com-prising many leading Norwegian industrial, shipping and finan-cial concerns, while Volvo of Sweden, which has a 20 per cent stake in Saga, has confirmed that it will take up its full share.

Members of the underwriting sortium are Elkem, Fred Oiconsortism are taken, Fron Or-sen, Investa, Kosmos, Norcem, Norske Skog, and Norway's four largest commercial banks – Den Norske Credithank, Christiania Bank, Bergen Bank and ABC Bank, The Kvaerner heavy engineering group, which owns 20 per cent of Saga, is not repre-sented in the consortium. Earlier this year, Kvaerner gave Norak Hydro an option – valid until end 1986 – to acquire its holding in

Shareholders will be asked to approve the new issue at an ex-traordinary meeting on October 20, and subscription lists will be opened from November 17 to De-cember 1.

Saga, founded more than a decade ago, has yet to pay a dividend. Badly hit by the world oil price collapse, the company's revenue from its small stakes in producing fields, is far below its investment obligations in the many promising Norwegian licence areas in which it is a partner.

First steps towards **UK** self-regulation

nutes off from the market's pound- investors. ing on Friday for a meeting at From January 2 next year, each

at which is a which is a recognised investment exchange within Britain's new regulatory structure. This is still viewed with deep suspicion by many of the AIBD's continental members.

Market makers, however, and the area of the area o son to be heartened. Failure to aprove basic tenets of secondary

more reason than the general AIBD membership to submit to self-regulation. Although three-quarters of the AIBD's 850 member firms are outside the UK, 83 of the 122 market makers, now called reporting dealers, are based in London. They will soon face the choice of falling in with the new UK requirements

which they nodded through a set of reporting dealer will inform the rules that will undoubtedly be seen as the first steps towards the self-regulation soon to be required by UK legislation.

Transporting dealer will inform the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the reporting dealer will inform the rules that will undoubtedly be seen at the rules at the The Association of International Bond Dealers (AIBD) had good reactions in the same manner the highest and lowest prices at which it

> obligations. These also include making prices in a representative number of securities in market sectors, and in s minimum \$500,000 round lot for active dollar straights.

The most sensitive issue of all, a move to ensure that inter-dealer brokers trade only with reporting dealers, was settled by a compro-The new rules, although watered down from the original proposals through brokers, the brokers themfrom the Secondary Market Makers

Committee, represent a simple or from the Secondary Market Makers selves – providing they are each Committee, represent a significant willing – will be subject to periodic step towards ensuring a liquid and

Assicurazioni Generali lifts net profit by 35%

ASSICURAZIONI Generali, Italy's cial, property and agricultural sub-leading insurance group, reported a sidiaries. Only 39.7 per cent comes 34.6 per cent increase in its 1985 from abroad. consolidated net profit, to L334.2bn

Generali, founded in 1831 when

Premium income rose by 17.9 per garian empire, has substantial operations in West Germany, France, Austria and other countries.

20 per cent year on year.

Based in Trieste. Generalli has 46 ed for just over half of the group's nce subsidiaries and 38 finan- the net profit of L334.2bn.

All of these securities have been offered outside the United States. This announcement appears as a matter of record only.

New Issue / August, 1986

U.S. \$100,000,000



East River Savings Bank

Collateralized Floating Rate Notes Due August 1993

The interest rate on the Notes for each quarterly period will be the sum of 0.05% per annum plus the arithmetic mean of London interbank offered quotations ("LIBOR") for three-month Eurodollar deposits prevailing two Business Days before the beginning of each interest Period. The interest rate for the Initial Interest Period will be 5.925% per annum.

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These Bonds having been sold outside New Zealand and the United States of America this announcement appears as a matter of record only.

September 1986



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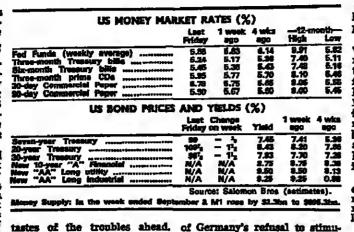
A.C. Goode & Co. Ltd.

Treasury Yields

Inflation becomes public enemy number one

THE LONG-SUFFERING bears are finally getting their revenge. For years they have been eagerly and expensively, awaiting the "crash landing" of the dollar which seemed in-evitable on fundamental ecoevitable on fundamental economic grounds. At last the key conditions are now in place: the US currency and the US bond market are falling simultaneously, and the losses in one market are helping to fuel the panic selling in the other. A few months ago it would have seemed inconceivable that the dollar might fall by 5 per the dollar might fall by 5 per cent, as it has in the past month as part of the self-same process that has raised US interest rates by 55 basis points. The fact that higher interest rates no longer seem on their own to reinforce the dollar, is a development of great significance to the bond market, the foreign exchanges and the world economy as a whole.

If the crash landing really is If the crash landing really is under way, then the limit-down collapses of bond futures we have seen repeatedly in recent



of Germany's refusal to stimulate its economy, was the worst blow to hit the bond market last week. What is remarkable about this development, as Smith Barney noted in its weekly credit comments, is that such a statement "would have been positive news a few months ago since, at that time, it would have implied a policy that would foster lower interest rates." What has changed, of course, is the markets prefor once they switch to a genuinely bearish mode, the markets will have no difficulty interpreting all news as bad news is precisely the same way as they have seen nothing but good news in the past two years. The talking down of the dollar by Mr James Baker, the US Treasury Secretary, is a case in point. Mr Baker's suggestion, that the dollar would have to fall further as a result

occupation with inflation, which be the rise in manufacturd'd has suddenly re-emerged as import and commodity prices, public enemy number one. To some extent this marks a welcome return to reality in market psychology. The idea that a declining dollar was good for the bond market was always highly questionable. The Federal Reserve Board's cutt-ing of short-term interest rates may have been encouraging, but the basic balance of supply and demand in the bond market weakness of the unions gives them no choice but to do so— then permanent infistion need has deteriorated as the dollar has fallen. Despite all this gloom, how-

Assuming inflation can be limited to the four to five per cent range, the next issue that arises is whether the long-term Despite all this gloom, however, there are a number of reasons for believing that the market has overreacted—at least on bond prices,
Inflation will undoubtedly accelerate in the US, but assuming it reaches the 4 or 5 per cent level, does this present a genuine threat to today's bond yields of 7.8 per cent?

tion of the dollar. In principle, infiationary spiral. It can, instead, have o once and for all effect on prices.

If US workers are prepared to accept the cut in living standards implied by a higher overall price level—or if the

longer time frame it seems quite unlikely that investors will secure real rates which average more than 21 to 3 per cent over the course of a business cycle. cent rainge, this next issue that business cycle.

This raises the next question real interest rates of 2.8 per cent to 3.8 per cent implied by present bond yields are realistic. In the recent past, of sometry phase, real interest course, real interest rates have been much higher, but in a their long-term average, not

only because the Fed will tend to ease but, much more importantly because of the fall-ing demand for credit and the increasing egyings towards growth or recession are more likely today to be observed on a global than a national scale. Devakuation of the dollar may stimulate the US economy, but only at the cost of even

Europe. For the world as a whore, americane, a further move towards recession seems more likely than a marked acceleration of growth and credit demand and the less world economic leaders, the longer the period of economic weakness is likely to continue. Anatole Kaletsky

-9%

FT/AIBD INTERNATIONAL BOND SERVICE

Federal Reserve Monetary Target

UK GILTS Fall quickens as pound sinks against DM

dealer brokers in the new structure of the glits market must be hoping that their baptism of fire next month is less furious than the past week

The fall accelerated sharply on Thursday as the pound bore the hrunt of the D-Mark's rise in the foreign exchange markets and rubbed in the effect of three weeks of declining prices. Since the beginning of September, yields on the FT Actuaries high coupon 25-year gilts series have risen by 75 basis points to 10.20 per cent. This takes them back more than half-way towards their peak in

January, Yield volatility at the shorter maturities has been greater, rising by 101 basis points at 15 years to 10.6 per cent and by 128 basis points at five years

to 10.82 per cent.

It may be of some consolution to the Government, if not to gilts market investors, to reflect that the four-point fell in prices at the long end over the last week is in large part the back-

furt and Washington.

The 101 plenning fall in sterling may be slightly less anguishing to the British authorities when caused by something as far beyond their control as Mr Karl Otto Poehl of the West German Bundesbank than if it were occasioned by, for instance, disappointment with the UK's belance of payments (August figures are due out on Wednesday).

They rode out the worst of the decline on Wednesday and Thursday and the Bank of England's intervention on Friday afternoon was more a

Friday afternoon was more a signal of intent than so attempt to drive the exchange rate

hack up.

The fall has, nevertheless, taken place and it is a brave man who believes that sterling is in any shape to reverse more than a small portion of the slide.

Whitehall irritation appears to be greater with Mr James Baker, the US Tressury Secretary, than with Mr Poehl,

It is also unlikely to do much good to the US bond market, since international investors are rarely encouraged by the prospects of an accelerated de-preciation. The gilts market may suffer accordingly, both through the spread and through the exchange rate.

Mr Poehl, however, has raised the hackles of several other central banks in the Euro-

pean Monetary System whose currencies, like sterling, have been put under increasing pres-sure by the D-Mark surge he triggered last week.

The Bank of England is more likely to have lined up with the Italians and the French at Glen-

eagles over the weekend, although central bankers said on Friday that the Bundesbank had responded stonily to telephone pressure during the week. Mr Poehl is notoriously at the long end over the last who opened the hostlittles last averse to discussing seriou week is in large part the back-week. Mr Baker's willingness matters like interest rates while wash of a tiff between Frank- to talk down his own currency Finance Ministers are present. averse to discussing serious matters like interest rates while

is greeted with annoyed dis-belief — it is certainly not a policy that British Chancellors rates, however, the message have been able to indulge in for come time.

If West Germany shows no signs of relenting on interest rates, however, the message tempers need to cool before the meeting of the Group of Five Finance Ministers in the US on

> rising over the effects on the glits market of the new capital adequacy requirements pro-posed for building societies. Brokers Greenwall Montagu and Brokers Greenwell Montagu and Capel-Cure Myers have both argued that the rules would impose an unduly heavy penalty on the building societies (which currently hold around £10hn of gilts under five years and up to £1bn over five years) for holding any stocks with over three years to maturity.
>
> Mr Bill Allen of Greenwells

says that the effect may al-ready have been felt, and that selling by building societies could at least partly account for the somewhat peculiar, hump that has oppeared in the yield curve around the five-year

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

India strengthens airline boards

BY JOHN ELLIOTT IN NEW DELHI

364

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37 mg

6.74

Mr Rahul Bajap, 47, chairman of Bajaj Auto, which is one of the world's largest manufac-turers of scooters, has been made chairman of Indian Airlines, the domestic carrier.

The appointments were announced at the weekend along with 10 other board memslong with 10 other coard mem-bers from the private sector. They are in line with the gov-ernment's policy of putting more professional managers on public sector boards. The new members replace permanent secretaries from Ministries such as Finance, Civil Aviation and External Affairs, and the Chief of Air Staff.

"There has been a lot of duplication with these people on the boards, and bureancrats do not understand international commercial businesses. How

Decline in

at Minorco

in net earnings to US\$72m for the year ended June 30 from \$105m in the previous year. Net earnings per share were 42 cents against 61 cents. A dividend for the year of 24 cents is being paid.

earnings

TWO OF India's most prominent younger industrialists have been made chairmen of the country's two nationalised airlines as part of a shake-up which replaces top divil servants with private sector, nonexecutive directors a year before the companies are to be merged.

Mr Rahul Bajaj, 47, chairman of Tata Industries and beir apparent to the leadership of the family industrial empire, has been made chairman of May to merge the constitute the boards. The country's two nationalised airlines would make a staff of about 40,000 and carry nearly 12m passengers a post of the most organical forms asked Mr Jagdish to motion directors for monexecutive directors a year before the companies are to be merged.

Mr Rahul Bajaj, 47, chairman of Tata Industries and beir Tytler also announced that plans provisionally unveiled at the end of May to merge the two airlines would "definitely go ahead."

Mr Rahul Bajan 47, chairman of Air month, and then envisously money the mane and their crews would be introduced first, followed by a consultation.

Mr Tytler also announced that the merger of engineering facilities and their seems and then sales and administrations of the merger of engineering facilities and their crews would be introduced first, followed by a consultation.

Mr Tytler also announced that the merger of engineering facilities and then sales and administrations of the merger of engineering facilities and then sales and administrations of the merger of engineering facilities and then sales and administrations of the merger of engineering facilities and then sales and administrations of the merger of engineering facilities and their crews would be introduced first, followed by a consultation.

Mr Tytler also announced that the merger of engineering facilities and their crews would be introduced first, followed by a consultation.

Mr Tytler says announced that the merger of engineering facilities and their crews would be introduced first, followed by a consultation.

Mr Rahul Baian 47 chairman of Air India in their own busines

First mutual fund launched

SMALL SAVERS in India are to be encouriged to invest in the expanding stock invest in the expanding stock markets through the country's first mutual fund, which was opened to subscribers last Friday, reports John Elliott.

The fund, called Mastershare, has been launched by the Government-owned Unit

Trust of India (UTI) with a nominal upper limit of Rs 500m (about \$40m) which the Ministry of Finance has said can double to Rs Ibu.

Mr S. Venkitaramanan, secretary of the Ministry, said at the weekend that a minimum of \$100 person was

BY OUR OSLO CORRESPONDENT

MINERALS AND Resources Corporation (Minorco), the Bermuda-based international investment vehicle of the Anglo American group of South Africa, has reported a decline in net earnings to US\$72m for the members of their families. Mr Sundt, who personally industrial operations, has paid industrial operations, has paid investment vehicle of the Anglo American group of South Africa, has reported a decline in net earnings to US\$72m for the initial deal goes after rising for several days on hid womans. They held take

expected in small stakes. A second tranche might be floated later if there was sufficient demand. Units would be sold through fertiliser agents and petrol stations as well as banks.

"Mastershare is fer the masters from the force if the mastershare is for the same in the force if the mastershare is for the same in the force if the mastershare is for the same in the force if the same in the force if the same is the force if the same in the force if the same in the same is the same in the same i

masses. For the first time the common man is being given a chance to invest in the stock market," be said. Last month the UTI successfully lannehed the £75m India Fund with Merrill Lynch of the US to attract foreign investors, including Indians living abroad. Further such funds are now being con-

Kosmos buys 49% of Bergesen

KOSMOS, one of Norway's visionally sold to Kosmos by fortnight in which to raise the largest companies with interests other members of their families. money to do so.

about replacements needed in 19924 for Air India's fleet of

nine Boeing 747s.
Two other executives from Two other executives from the Tata empire, India's biggest industrial grouping, are joining the boards along with Mr Ratan Tata. Mr Russi Modi, chairman of Tisco, the Teta steel company, has been appointed to the board of Indian Airlines along with Dr Francis Menzes, director of the Tata Institute of Management.

The appointment of Mr Baiai

of Management.

The appointment of Mr Bajaj is significant because it shows that the government is not necessarily discriminating against businessmen caught up in a controversial campaign being waged by the Ministry of Finance against the black economy. Tax raids were made on the premises of Bajaj Auto and its dealers last December.

and its dealers last Dec

scheduling or interest rate targets. The company said that two ratios, still to be negotiated with lenders, would be used to determine interest rates on various portions of each lender's debt and the amount of Bergesen is considered to have become an attractive takeover target since it sold a large block of shares in Kvaerner, the heavy engineering group, to Elkem, the mining and metals company, for around NKr 500m last month. This and other deals have left Bergesen with lively debt to be converted to preferred

Mr Jim Hamilton, energy analysis at the securities firm Bell Gon

Dome Petroleum BY WILLIAM HALL IN NEW YORK RALSTON Purina, the world's larg-est petfood producer, has entered by Bear Stearns and Gruss and Co, tha battle for Anderson, Clayton, has offered to buy back two-thirds the Houston food processor and has of its shares for \$60 a share in a bid measures. In particular, Anderson asks for

buy the company for \$750m.

DOME Petroleum, the ailing western Canadian energy producer and one of the world's biggest corporate debtors, has asked its 56 creditors for a wide range of concessions to save the company from liquidation. The proposels, contained in a 37-page recapitalisation plan, include conversion of some of the company's CS6bn (\$4.3bn) debt to pre-ferred shares, concessional interest

debt relief

Mr Howard MacDonald chairman, said the plan "would see the lenders get much more of their money back than they would be by forcing a liquidation. We are con-vinced that, in the long run, oil prices will recover and it's a matter of surviving the downturn."

Some of the company's lenders

rates and an extended repayment

European and Japanese banks, gave the plan an initially cool reception. A senior official at one Canadian bank said that the plan is "only a framework and a fairly scanty one

He predicted that the banks would act as a more cohesive group than they have in previous negotiations with Dome, because no len-der is high and dry."

The plan makes no mention of

specific amounts of debt which Dome hopes to convert to equity,

lock of Calgary, estimated that Dome's assets would support only C\$2.5bn in loans or roughly 40 per cent of the total. He predicted that the lenders would eventually agree to a recapitalisation plan rather than allow a receiver to oversee the

Africa, has reported a decline in net earnings to US\$72m for the year ended June 30 from \$105m in the previous year. Net earnings per share were 42 cents against 61 cents. A dividend for the year of 24 cents is being paid.

At the operating level, there was a 56 per cent increase in earnings to \$71m from \$45m.

Earnings from operations in the current year are expected to be lower as a result of reduced interest income.

If the initial deal goes after rising for several days on bid rumours. They held takes month. This and other deals after rising for several days on bid rumours. They held takes month. This and other deals have left Bergesen with liquid on Friday evening with Mr Otto buy the outstanding 51 per cent of Bergesen at a comparable price that would value the whole company at NKr 2.3hn, making ing director respectively of Kosmos, in what was described as a positive atmosphere.

A potential obstacla to the deal lies in the option beld by the Joint general managers of the foundation of the current year are expected to be lower as a result of reduced interest income. liquidation of the company.

In terms of the plan, payments of both interest and principal will be based on cash flows from assets supporting various groups of debt. Any debt which cannot be serviced

Ralston approaches food group

blocked Anderson, Clayton's con-trowersial recapitalisation plan. from proceeding with the partial board the purchase of Anderson, trowersial recapitalisation plan.

and Ralston Purina were having takeover talks came less than 15

minutes after a Delaware court

minutes after a Delaware cour

announced that it is negotiating to to defeat a \$56 a share from the out wanted to require an 80 per cent ap-

Anderson, which has been under court's decision was the second le-share, subject to negotiations

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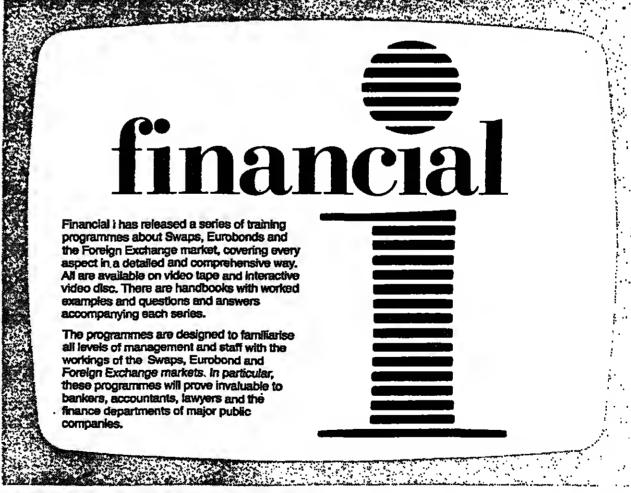
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Hutchison has 5% stake in Pearson Desoutter

BY DAVID GOODHART AND DAVID DODWELL

Pearson, the industrial, banking and publishing group which owns the Financial Times, has entered negotiations with Hutchison Whampoa, tho Hong based conglomerate controlled by Mr Li Kashing, which entered negotiations with Hutchison Whampos, the Hong Kong based conglomerate con-trolled by Mr Li Kashing, which could lead to a major shake-up of both companies. Mr Simon Murray, Hutchi-

son's managing director, confirmed yestorday that the company had acquired 4.9 per cent of Pearson and was interested in acquiring several parts of tha Pearson group. "We want to make an overseas investment and Pearson bappens to have a lot of things which would suit us," said Mr Murray. Hutchison's operations are split into three main areas: are spin mo three main areas: property, trading and retailing, and shipping-related activities. It controls one of Hong Kong's main retail chains; is the lead-ing container terminal operator and last ware acquired control and last year acquired control of Hong-Kong Electric.

terests as potential acquisitions. He stressed however, that a full bid for Pearson was ruled out for the present and that "in any case if we did anything, it would be on a friendly basis."

basis."

Hutchison, which in the year to December 31 had turnover of HK\$5.47bn (\$475m) and pretax profit of HK\$1.55bn tax profit of HK\$1.55bn has recently made clear its aim of expanding outside Hong Kong and has been developing plans to publish the Financial Times in Asia. Hutchison's 25 per cent stake in the South China Morning Post, the highly profitable Hong Kong daily, would be atractive to Pearson. At the end of last year, it held discussions with another major "the ball is now in Pearson's court. Wa have looked at them and knocked on their door; we are now waiting for their res-

tions. The company, which has been the centre of take-over speculation for several months, stressed that discussions were at a very early stage and bad centred upon developing mutu-ally beneficial trading relation-

enssions with another major shareholder in the paper.

Pearson confirmed that a meeting with Mr Murray had taken place about two weeks ago and that thore had been subsequent telephone conversations. The company, which has been the centre of take-over terminal meeting a consortium bid for Pearson's share price briefly topped 600p, but when Quadrex revealed its plan it aid back and now stands at 510p.

Mr Li Kashing, who is known to have close relationships with senior figures in the Chinese government, has a reputation for not passively holding minority stakes in companies. He is also said to dislike debt

He is also said to distince debt and his company has gearing of less than 9 per cent.

If a full bid was to be made by Hutchison, a price tag of filbn for Pearson would ba within dis capacity. Mr Murray said that the group had nearly \$400m to spend on a suitable acquisition and had "almost unlimited berrowing facilities." unlimited borrowing facilities according to a financial adviser. Mr Murray also said yesterday Earlier this year Quadrex that the current Pearson share Securities, an investment bank price undervalued the company.

Brothers unchanged at £2.45m

AFTER THE fall in profits in the second half of last year increased sales helped Descutter Brothers (Holdings) recover in the six months to the end of June 1986. Turnover for this precision mechanical engineer rose by 21 per cent from £15.69m to £19.02m with taxable profits coming out almost unchanged at £2.45m against

E2.46m.
Earnings per share were 12.71p (11.63p) and the interim payment is being maintained at 2.5p. Last year there was a total payment of 7.3p on pre-tax profits ahead at £4.71m (£4.54m), despite a fall in second-half profits to £2.25m, against £2.43m.
The directors said that

The directors said that although margins were lower in the first half there were reasonable prospects of being able to maintain them throughout the rest of the year.

Eglinton makes

bid approach Egiinton Oil and Gas, the Irish oil company whose shares boomed two years ago on hope of large oil finds in Colombia has made a bid approach to Osceola Hydrocarbons. In May, 1984, Eglinton shares traded at 633p. On Friday, Eglinton shares remained unchanged at 15p while Osceola rose 2p to

Northern Industrial Northern Industrial Impreve-ment Trust, investment and property holding company, increased its pro-tax profits from £279,816 to £331,655 in the year to March 31 1986. The final dividend is raised from 8.6p to 12.78p net for an increased total of 17.78p (13.6p). Stated earnings per £1 share of this "close" company improved from 13.48p to 17.08p after tax of £123,160 (£115,343)

J E England The shaces in J. E. Engian the produce supplier and con-venience food merchant, were suspended on the stock market on Friday at 48p pending an announcement.

F.T. Share Information The following securities have been added to the Share Infor-mation Service: Acatos & Hutcheson (Section: Food, Groceries) Bertram Inv Trust (Investment Trusts)

Wordplex almost £2m in red at interim stage

Wordplex Information Sys loss was up at £848,000 too high central costs. tems, the office automation (£677,000). Exchange losses The company says is group which ran into heavy came to £166,000 compared with objectives are to cut losses last year, has announced pre-tax losses of £1.95m for the six months to June compared with pre-tax profits of £835,000 in the first half of

However, the company prefers to compare its performance with the second half of last year when pre-tax losses total-led £4.06m. It says increased sales and margins and a reduc-

PROFITS communed to improve at Dares Estates and were £163,000 in the first half of 1986 compared with a loss of £35,000 in the comparable period of last year. Year-end profits were £12,000.

The property company said the profit reflected its continu-ing progress, but did not include any contribution from the recent acquisitions or the capital raised by its share

Horace Cory ahead

a gain of £1.81m, interest payments took £932,000 (£520,000), and there was no exceptional credit to compare with last year's £220,000. There was an extraordinary debit of £466,000 (nil) relating mainly to redund-

Dares maintains progress

The company says its prime objectives are to cut working capital requirements and bank borrowings and to return to profitability next year. If pre-sent sales improvements and cost redoctions are maintained, it says, the objectivos seem

ancy costs.

The loss per share came to 19.4p (earnings per share of 6.4p). The shares closed on Friday 4p off at 46p.

Wordplex has made drastic decion from Westlake, Calibration of a number of production from Westlake, Calibration of a number of duplication of a number of activities have taken place at the control of tion in operating costs were the main contributors to this improvement.

Turnover was slightly up over last year's first half at £23.71m (£22.35m) and the operating to the main contributors to this improvement.

Wordplex has made drastic duction from weshare, California, A number of duplicated functions have been eliminated with consequent maniformance in 1985 to selling too for overseas companies is condititle at too low a margin with

Goal Petroleum losses increase in first half

Citicorp Finance PLC

£150,000,000

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Notes, notice is hereby given that for the six

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1986 to March 17th 1987 the Notes will carry

an interest rate of 5½ percent per annum.

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Agent Bank

ONCB BANK

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Rate of 10.5175% per annum. The interest payable on the relevant interest payment date, 19 December, 1988 will be £262.22 per £10,000

By The Chase Manhattan Bank, N.A.,

principal amount.

22 September, 1986

London, Agent Bank

Goal Petroleum, oil and gas explorer and producer, saw tax-able losses increase in the six months to June 30, 1986, from from present production has £166,000 to £209,000 on turnover up at £1.83m against £1.72m. The loss per 5p share cama out at 0.19p against 0.25p.

The operating loss of £139,000 (£338,000 profit) was struck after higher cost of sales at £1664,000 (£516,000) and increased depletion, depreciation and amortisation of £810,000, against £382,000.

The net interest charge was

The net interest charge was cut substantially from £504,000 to £70,000 as a result of tha rights issua at the beginning of the year.

ieptember 22, 1986, London

Dfl. 276,53.

The balance sheet was fur-ther strengthened in March by the acquisition of an interest in the Claymore field which brought additional present cash-flow, directors said.

Elders may have to pay dearly to brew Fosters

Elders IXL, which last week said. bought Courage for \$1.4bn, may have to pay dearly for the right to brew its own Fosters lager in Britain.

He added that relations with Elders IXL were good, and he was sure a mutually agreeable deal could be negotiated.

Grand Motropolitan subsidiary Watney Mann has had the sole licence to brew and market Fosters for the past five years and retains the licence until 1996.

Mr Tim Halford, GrandMet's

Evered acquisition Wellington Polymers, a sub-sidiary of Evered Holdings, is to acquire JCB Tomlinson for £380,000 in cash.

director of public affairs, confirmed yesterday that the company would be reluctant to part with Fosters. "It's a very good brand, and we have spent a lot of money building it up," has been task.

Tomlinson makes injection moulded rubber components for the plastic pipe, pharmacentical an dantomotive industries. In 1985-86 it made a small profit un of money building it up," has burnover of \$815,000.

Lazard ruling upsets pension funds

merchant

One tund.

During the BT flotation, pension funds managed by, for example, four different fund management institutions were able to apply for four separate transhes of charges.

Brothers stressed yesterday that there could be only one appli-cation per person or entity, and that "it is not fair to alter the rules for a few City institu-

Applications close at 10 am on Wednesday.

advisers, Lazard Brothers, have angered several pension funds angered several pension funds that they were at an unfair with split management by insisting that only one application for the person of the p

That, however, led to com-plaints from non-split funds

BOARD MEETINGS

eta, William Jenke, Laterapeo, Merairax, Morgan Crucible, erells, Spring Bam, Tarmet, sea Amorican, Hactronic Corsess, Chambers and Fargus, Elbert (Iedie), Merievile Concolidated a, Merivale Moors, Parket Knoll, FUTURE DATES

Jersey General In Johnston Group KCA Drilling Kemeley and Milibourne Friendly Insumnce and and Reeve Angel Married

directors sald.

were contracts and reservations for a further 183 apartments, expected to enhance second-half totalling £17.2m, for completion results, but the main benefits up to next May. A substantial should be felt in 1987. Turnover in the six months was down from £5.97m to

PROFITS continued to improve £2.39m. but a trading profit of contribution to 1987 profits is £163,000 was made, compared expected.

The board is also confident the board is also confident the board is also confident to the board is also confident t

with a £32,000 loss.

No dividend is being paid, but prospects for 1987 onwards may justify a nominal final dividend.

Dares said thet at Chelsea Cloister Developments, where it has acquired a 50 per cent interest, 29 apartments had been completed, worth £21m. There were contracts and reservations

The board is also confident of the growth potential of rental income in relation to the investment portfolio.

Further residential development sites have been acquired in Hampshire, and Dares has seven sites on which development has begun or is about to begin, with additional sites under negotiation.

The recent acquisitions are

Dinkie Heel profits slip

Pre-tax profits at Horsee Cory, chemical colour manufacturer, increased from £45,574 to £140,947 in the six months to June 30 1086. The interim dividend is raised from 0.2p to 0.3p net—last year's total was 0.8p from pne-tax losses of £223,945 (£1.05m profits).

Turnover in the six months to June 30 rose 61 per cent from £961,000 to £1.55m, reflecting the acquisition Dinklo said. But the taxable result was down from £26,000 to Group turnover was lower at £2.27m compared with £2.96m. There was at ax charge of £51,000 (£15,000). Stated earnings per 5p share improved from 0.16p to 0.48p. £22,000.

The improvement in the trad-ing position should continue during the rest of the year, the

Dinkie Heel, footwear components maker, attributes its continuing profits decline to the costs of integrating the rubber business acquired last November with its established activities.

Turnover in the six months to June 30 rose 61 per cent from £961,000 to £1.55m, respectively.

The interim dividend is unchanged at 0.2p on earnings per share of 0.16p (0.2p).

Hawker Siddeley Hawker Siddeley's interim The costs of the merger results will be amounced on were charged against profits as October. 22 and not today, as incurred. The transfer of the stated in Saturday's Results due rubber business from Petersfield next week column.

SHARE STAKES

Changes in company share stakes announced over the past Woolworth Holdings .- The

(Clayform Props (Warrants)

Clayform Props (Warrants)

Coline Intl (Electricals)

Marina Development (Leisure)

Nationwide Bidg Soc 191%

(Loans, Building Societies)

Rathers (Jewellers)

Rathers (Jewellers)

Cony Cum

Woolworth Heldings — The following directors exercised which hall cons.

Jonas Jo

trust for grandchildren, of which he is not a trustee, for nil consideration.

Jonas Woodhead — Carclo

announced that following a purchase of 350,000 shares it now held 3.55m shares (24 per cent). Stem Designers—I. M. Scoggins, director, sold 25,000 shares

shares at 455p. Director Sir holds 97,400.

Dermot de Trafford transferred 10,000 ordinary to a trust for grandchildren, of 27,000 "A" ordinary at £1,80.

Which he is not a trustee, for Cambrian and General Securi-Cambrian and General Sectional Chairman, I. F. Boesky acquired a further 654,000 ordinary shares at 1221p and now holds 6.09m ordinary.

Abaco Investments—Bricomin Abaco Investments—Bricomin Investments, a wholly owned subsidiary of the British and Commonwealth Shipping Co.,

Eni International Bank Limited

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Ente Nazionale Idrocarburi In accordance with the terms and conditions of the Notes, the rate of interest for the interest period September 22, 1986 to December 22, 1986 has been fixed at 61/16% per annum. Interest payable on December 22, 1986 will be US\$153-25 per Note of US\$10,000.

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London Branch



"The Company is now in sound financial health and poised for further growth". Justin Kornberg, Chairman

- Pre-tax profit up 177% to £2.12m.
- Earnings per ordinary share up from 3.37p to 11.38p.
- Net assets per ordinary share up from 131.3p to 141.8p.

The Group manufactures a wide range of textile products including: yarns, velvet, curtains and cushions, rugs and fur fabrics and woollen cloth and has interests in property, engineering and insurance broking.

Copies of the Annual Report and Accounts may be obtained from the Secretary, Lister & Cop.J.c., Manningham Mills, Bradford BD9 4SH.

CHANGE OF ADDRESS: & TELEPHONE NUMBERS

as from Monday 22nd September 1986

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PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

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FINANCIAL TIMES STOCK INDICES										
	Sept.	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 12	19 High	S6 Low	Since Co High	mpilation Low
Government Secs	84.28	84.12	85.45	85.88	86.74	86.74	94.51	80.39	127.4	49.38
Fixed Interest	91.11	91.88	92.12	92.76	93.05	93.16	97.68	86.55	150 <i>A</i>	50.53
Ordinary	1269-1	1279.6	1275.2	1262.2	1289.6-	1270.9	1425.9	1094.3	1425.9	49.4
Gold Mines	331.2	317.2	316.6	317.9	312.2	314.8	357.0	185.7	734.7	43.5
FT-Act All Share	790.73	796.65	793.74	790.39	804.09	794.66	832.39	664.42	832.39	61.92
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FINANCIAL TIMES SURVEY

Monday September 22 1986

Guangdong



This outward-looking province, which has attracted 60 per cent of the foreign investment in China, is the key to the country's modernisation.

Channels for trade

IF THERE is anything that sets Guangdong apart from every other region of China, it is its tendency to look outwards. The province's distinctive internationalism contrasts sharply with the deep-rooted introversion throughout the rest of the country — and has always ensured that Guangdong plays a unique role in China's development.

Cantonese businessmen like Rie Qinggao were sending home latters describing the streets of Calcutta, Bombay, or even London — full of awe at the existence of piped water supplies—more than 200 years ago.

The port of Canton — the province's capital is nowadays

Control of the second

Siddle

The port of Canton — the province's capital is nowadays called Guangzhou—was receiving foreign ships as early as the 16th century, while Britain's tax-free trading rights in Canton were granted after British sailors under Captain George Anson helped to put out a major fire in the city.

to put out a major fire in the city.

But the most powerful internationalising influences — and those most significant today— were tha Nanjing Treaty, signed after crushing defeat in the first opium war, which forced freign trade and investment in Peking to open up Guangshou and four other ports to foreign trade and investment in 1978. These overseas "compatriots" have been an important in the province — and have played a significant part in making

By David Dodwell

that are funding large-scale infrastructure development, and investing in the joint ventures that are being sought so keenly by Peking to modernise the country's creaking industrial base.

Guangdong, as the home of season addition, overseas Chinese are understood to have funded about 2,000 new schools, 100 hospitals, dozens of bridges, and hundreds of kilometres of properly-surfaced road.

The impact of these overseas Chinese links is most powerfully seen at the grass-roots program boasts 800,000 overseas Chinese. From among

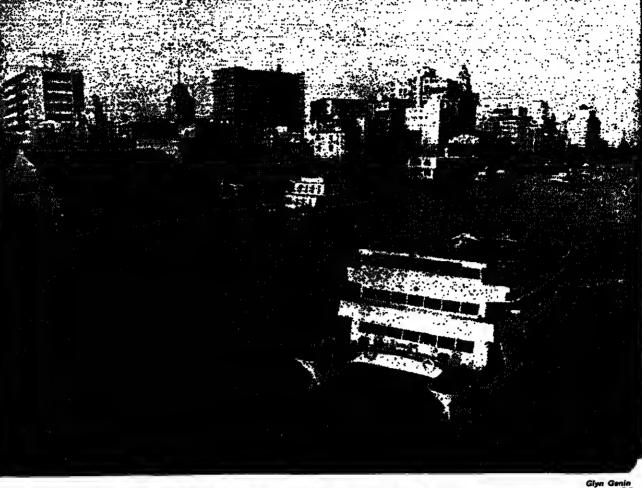
were the Nanjing Treaty, signed after crushing defeat in the first opium war, which forced Peking to open up Guangshou and four other ports to foreign trade; and the successive waves of emigration that accompanied the chaos and anarchy that has so frequently erupted in china during the past century.

Of the Som Chinese who have fied the mainland in search of stability and prosperity since the middle of the 19th century, country's most affluent areas.

processing. They employ about that a number of powerful figures in Peking are more dated more than \$300m - sceptical.

The national scandal a year ago over the Hlegal import of the province's total export earnings.

These advantages have not that a number of powerful figures in Peking are more felt in Gnangdong, where many legitimate foreign ventures had been established on the assumption of flexible foreign exchange policies.



Canton, the province's capital, has long been at the fore front of Guangdong's links with the rest of the world. There is confidence that the province will cope with the "pounding waves" of new influences

annum, overseas Chinese and about 2,000 new schools, 100 hospitals, dozens of bridges, and hundreds of kilometres of properly-surfaced road.

The impact of these overseas Chinese links is most powers has contained and see corruption and properly-surfaced road.

The impact of these overseas Chinese links is most powers highly than material affinence, it is grass-road and see corruption and profites investment in 1,700 factories set up simply to process Hongkong accommy is dismantied in favour of the market economy. Governor Ye Xuamping exudes confidence that the people of eity, and earned processing fees of \$88m.

Looking at the whole province, it is estimated that there are in 5,000 factories involved in processing. They employ should be provinces, it is estimated that there are market practices, and corrupt on processing. They employ should be provinced at more than \$300m people, and last year are more shoult 10 per cent of the province and so that the processing the provinces in the mattern of the province are also that the processing they employ should be provinced to the province are also that the processing they employ should be provinced as that they bear a heavy in Peking that such one province was province and earned processing as the command economy is dismantied in favour of the market economy. Governor Ye Xuamping exudes confidence that the people of eity, and earned processing fees that the province are 15,000 factories involved in processing. They employ should be province, and the province are 15,000 factories involved in processing. They employ should be provinced as the province are 15,000 factories involved in the province are 15,000 factories involved in the city, and earned processing. They employ should be provinced as the province are 15,000 factories involved in the city and earned processing. They employ should be provinced as the province are 15,000 factories involved in the province are 15,000 factories involved in the province are 15,000 factories involved in the province are 15,000 fa



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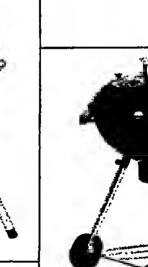
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Of particular concern, therefore, is the continuing shortage of electricity, and poor communications. Manufacturers rightly argue that they cannot reach optimum productivity if they face the constant threat of

they face the constant threat of power cuts.

The province's electricity grid is able to meet just over 60 per cent of current industrial needs — a problem of crisis proportions that is not going to be solved quickly. More than RMB Yuan 5bn is to be spent over the next five years to add extra electricity generating capacity, but there can be no certainty that this will match the extra demands being made as industry continues to expand rapidly. Links with the Guangzi provincial grid, due by 1990, cannot come a day too early.

Given this acute power short-

Given this acute power shortage, there can be no surprise
that Guangdong people share
none of the concerns of Hong
Kong people about the planned
construction of the Daya Bay
miclear power plant, which is
due for completion after 1892.
Hong Kong's 55m people have attacked for committing much investment to construction and tourist development, and for failing to stract enough high technology investment, and failing to export enough.

The stract of the for completion after 1882. Hong Kong's 5.5m people have more generating capacity available for their use than the whole of Guangdong province, with more than 62m people.

with more than 62m people.

In general, despite the concerns of the more xenophobic in the leedership in Peking, Guangdong has ao far amply managed to justify its achievements. The contribution of rice to the state may be down, but this is the result of deliberate policy, and has been offset by a 29 per cent surge in sugar output. Sugar is in desperately short supply in China, and there to Peking.

In terms of export earnings and short supply in China, and there technology transfer — is now than in the Special Economic acute.

Output. Sugar is in desperacity short supply in China, and there can be no disputing that land continued on page 2.

PIANGY



Shiajao B power station under construction on the Pearl River. Power is in very short supply because of the demands of industry



Economy at cutting edge of open-door policy



The province is now China's leading exporter, but the advances have also brought pressures.

IF CHINA is to achieve the "take off into sustained economic growth" that is so often talked of by development economists, then it will almost certainly begin in Guangdong.

The province this year has overtaken Liaoning and Shang-hal to become China's leading exporter. It accounts for about 60 per cent of the total foreign investment in China since 1978.

Its farmers are among the most productive and the most affluent in China. Its overseas Chinese links give the province access to foreign expertise and foreign technology on a scale foreign technology on a scale the country.

At the same time, however, these advances have confronted the province with problems and pressures unfamiliar in many parts of the country. Because it is at the cutting edge of nt is at the cutting edge of Deng Xiaoping's commitment to an open door economic policy —with three of China's four Special Economic Zones—so it carries a burden of responsibility to demonstrate to doubters in Peking and else-

Ahead of the other provinces it has had to cope with what governor Ye Xuanping calls the three "pounding waves" that have been linked with rapid development. These are: absorb-

destroying the socialist ethic which underlies modern Chinese society; avoiding what many in the Chinese leadership see as the corrupting influence that comes with substantial direct contact with foreigners and contact with toreigners and foreign culture; and dealing with profiteering, smnggling and other problems linked with loosening up the economy to market forces.

It is also having to deal with onomie overheating, and with the acute infrastructural strains that have accompanied rapid so that heavy infrastructure spending is the highest priority in the new Five Year Plan period that began this year.
Power is in extremely short
supply, while the province's
roads are hopelessly overloaded.

The province's telephone system, after heavy investment system, after heavy investment over the past five years, is unquestionably the best in China — but is still far frum coping with the demands being made on it by Guandong's manufacturing industry.

Governor We likes to think

of the past five years as "the most thriving" period that Guangdong has seen since Rheration. There would be an element of self-congratulation did not bear him out.

and industrial output value reached RMB Yuan 66tm in 1985, after an average annual 1980. Household incomes averaged more than RMB Yuan 2,000 a year in 1985, compared with a national average of about half this.
Those who are rightly suspicious of Chinese statistics

need only spend a day traveldoubters in Peking and else. ling on the province's, still basic, where that the policy can work roads to see proof of them in the hectie pace of construction taking place in literally hundreds of towns and cities.

In spite of being one of the rice-bowls of China, Guangdong

brakes on rice production. Output actually fell in 1985—by 12 per cent to 17.3m tonnes. Acreage committed to rice has been cut back as farmers have been encouraged to diversity into cash crops.

The greatest change resulting from this shift has been in sugar cane production. Output rose by 28.7 per cent last year to 22.4m tonnes in an effort to reduce the country's acure to the country acure to the count sugar shortage. Jiang Taile, head of production planning in Guangdong's Agriculture Commission, described this surge as "probably the province's main contribution to the nation."

At the same time, the produc-tion of truits and vegetables has also risen rapidly, while Guang-dong is China's main domestic supplier of aquatic products,

Hong Kong manufacturers that takes place in the province.

In 1985, light industrial output amounted to RMB Yuan 39hn—almost 25 per cent up on 1984, and accounting for about a quarter of China's total light industrial output. About 15,000 factories are thought to be involved in processing for

supplying almost 1.2m tonnes last year.

Guangdong also leads Chima as chima's total. At the same time, a base for light industry—with-out doubt a result of its close-ness to Hong Kong, and of the large amount of processing for Hong Kong manufacturers that takes place in the province.

dong amounted to \$2.5bn last 20 per cent slump in overseas with single investment in China in the first doug have since begun to formulate plans intended to help foreign ventures solve problems. They have been equally concluded with carned about studies suggesting that a large proportion of the province, coupled with that a large proportion of the province, gave a substantial tures are in difficulties.

In the province in the p

light industraial output. About 15,000 factories are thought to be involved in processing for on foreign investment—and the Hong Kong manufacturers— accounting for almost half a million jobs, and earning 10 per cent of the province's USSD in foreign exchange earnings in 1985.

Foreign investment in Guang- most concerned over a reported control of many enterprises,"

Guangahou, recently revealed that 70 per cent of joint ventures examined in a survey were facing difficulties in balancing their foreign ex-change—and that 90 per cent

a further 2,900 MW into opera-tion by 1990. In addition, five tion by 1990, in addition, nve high-tension lines linking Guangdong to the Guangxi pro-vincial grid should help to ease shortages. According to Li Liei, director of Guangdong's Econ-omic Commission: "The prob-lem will not have been totally foreign exchange.

Another problem attracting much comment has been the failure of the province's economic zones—Shenzhen, Zhuhai

high technology investment, and their failure to export in sufficient volume. been greatly eased." A further problem linked with rapid economic growth has been inflation. Province-wide, the retail price index rose by 13.6 per cent last year, accord-Leaders in the zones have defended themselves by ineist-ing that since they all began as greenfield sites seven years

solved by 1990, but it will have

ago, a large proportion of in-vestment in their early years must inevitably be on building Workers' living expenses rose by 17.1 per cent, mainly as a result of a 46 per cent surge in the price of fresh vegetables, up infrastructure, and educating a workforce that can handle and a 29 per cent increase in prices for mest, poultry and eggs. Workers' wages at the same time rose by 25 per cent, The processing work that has played such a large part in early development doubtless provides untrained workers with factory skills they pre-woosly lacked. Heavy tourist investment has been defended because of the grand with the Statistics Bureau says, suggesting that workers saw a 7 per cent rise in real spending power.
Given the artificial nature of because of the speed with which this kind of investment

pricing for most products inside China, it is difficult to interpret the significance of such inflation figures — except to say that do not required to there have been on the series to have accepted the case presented by leaders in the SEZs—but only for the time time there have been on the series to have accepted the which make the issuit the series of the series about which make the issuit the series of the ser there have been occasional pub-lic outcries about rising prices which make the issue as politically sensitive in Guangdong as

the SEZs—but only for the time it is overselved in the size of such being. They face increasing pressure in future to attract time that has created anxiety, high-technology industries, and but the simple fact of such to make significant progress in exporting to foreign markets.

The problem of power short-than the size of how so many Guang-dung people have had to learn the size of size o ages has been acute in Guang-to run so fast, so suddenly, that dong, and a serious constraint they have tripped, or fallen on growth. Government officials behind. He has talked of them on growth. Government officials behind. He has talked of them estimate a 40 per cent shortfall "feeling dizzy" at the first in supply, which leaves many companies forced to operate on four-day weeks, weakened by numerous unscheduled black-

numerous unscheduled blackouts.

The province had a total installed capacity of 4,188 MW at the end of 1986 — less than Hong Kong, which has a population less than one tenth that of Guangdong.

David Dodwell

Modern centre for Canton Fair

OLD CHINA hands, given half a chance, could daubtless drain many a gin and tonic recogning tales of the Can-ton Fair in the had eld days, of striding into the exhibi-tion halls through ranks of Red Guards brandishing Mao's Little Red Book and calling for the death of all capitals for the death of all capital-

Today, both Centon, and its famous fair, are transformed, places. Gone are the days of traders camping on the lobby floor of the Donglang or Baiyan hotels. Instead visitors can swop memories in plush.

French restaurants atop hotels as luxurious as any in the world. The modern new exhibition control is fronted by a 190-yard mirror wall.

In place of swarms of bicycles, the city's streets are choked with Toyota limeusine taxis cruising for business. If one is going to be accosted then it will not be by a book-waying realet sporting in the recent past has put the waving zealet sporting badges of Mao Tse Tung, but

more likely a black market money changer, or a presti-

less important than it was 19 years ago," says John Kamm, a trader for Diamond Shamrock of the US who has been attending the fair long enough to match tales with the heat of them. "It's still important for the 'enc-stop' China trader, or someone who has never done trade with China before. There is no-where else in China where you can get the same compre-hensive idea of what the country has to offer."

The twice-yearly fair—each lasting 20 days—will also in all probability be given a special boost this autumn, as efficials celebrate the 60th efficials celebrate the form fair since they began in 1957. But as China has opened up the deers to fereign trade, allowing cities throughout the country to conduct trade directly with the outside world, so the fair's monopoly werld, so the fair's monopoly of China's foreign trade has

Last year, the spring and autumn fair—properly called the Chinese Export Commodities Fair-together accounted for ever \$5bn in exports (exact figures are neteriously difficult to get, since many deals "signed" up at the fair are never completed)—which is certainly not insignificant. since it amounted to about 10 per cent of China's total expects for the year. But havely a decade age the fair accounted for all but a tiny percentage of expects—and handled China's imports too.

Today, as its title suggests, the fair is almost entirely an export fair. The single main exception to this is chemicals, which are still imported on a substantial scale through the fair.

The City's modern hetels, which can have an empty ring to them for large periods of the year, are still full to bursting for periods of the fair. Last autumn, a total of 27,000 traders came to Can-

ton-two thirds of them from Hong Kong.
While there are many who would say that doing business at the fair is infinitely easier today than it was a decade ago, there are just as many who would argue that the challenges have changed. The physical hardships

have gene, but in their place, traders face a fast-growing array of new expert goods, and aggressive trading corporations from all essuests of China fint are as starved as ever of foreign exchange, and see this as the prime opportunity to meet the year's expert quotas.

For if there is one thing that certainly has not changed, it is China's urgent need for foreign exhange;

changed, it is China's urgent need for foreign exhange; as long as this remains—and there are few signs that it will disappear—then the Canton Fair is likely to remain the nain single event in the country's foreign trading calendar.

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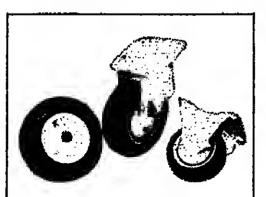
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GUANGDONG 3

WHEN YE XUANPING WAS opointed governor of Juangdong in October last year, cossip ran among students at Peking University about the off-spring of senior cadres winning pivotal jobs in the country.

Ye Xuanping is the son of Ye Jianying, one of the founding fathers of China's Communist revolution; and one of the most prominent elder statesmen still live in the party.

It took the mayor of Peking. Chen Xitong, to come to Ye junior's defence: "He has proved himself very competent, and enjoyed high prestige,"
mayor Chen was reported to
have told students: "It is as wrong to say that children of senior cadres should not be promoted even if they are qualified as it is to say they should be promoted if they are not qualified.

"When Ye Xuanping was a chief engineer, I was merely a worker. Now that I am a mayor, worker. Now that I am a mayor, why is it surprising that he has become a provincial governor?" From the gossip, one would imagine that Ye Knanping is a stripling of a youngster, following a fast track to high office on his father's cost tails. In fact, Ye is 60-year-sold, sports a hearing aid and has the kind of

fact. Ye is 60-years-old, sports a hearing aid, and has the kind of eyes that say he has spent too many hours working and too few sleeping.

He has spent a large part of his working life in factories in Siberie and north-east China, and may not be a very good example of the nepotism that is undisputably at work in China. undisputably at work in China

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when Ye Xuanping returned to Guangdong in 1980—first to be the province's deputy governor, then to be Mayor of Guangzhou, and finally to become governor late last year—he returned to his home province after an absence of 40 years.

It was a completely changed province from the wartorn region Ye recalls leaving es a 14-year-old boy. The Japanese occupation forces controlled the area, and the struggle between the nationalist forces loyal to Chiang Kai Shek and the Communist forces coming together around Mao Tse Tung was approaching its peek.

Guangzhou was a stronghold for Chiang's forces, and not a comfortable place for the likes

Of Ye Jianying and his family:

"Guangzhou was plagued by a deep suffering," Ye Xuanping ferring to be chief engineer in a large factory in north-east because we couldn't find a way because we couldn't find a way out politically or economically.

We couldn't see any future there."

Ye junior spent time in Yenan, and with insurgent forces fighting a guerrilla war in the Japanese base areas of the north, After transferring to be chief engineer in the largue ferring to be chief engineer in the largue for the north as way out politically or economically.

We couldn't see any future there."

Ye junior spent time in Yenan, and with insurgent forces fighting a guerrilla war in the Japanese base areas of the north, After the north

Silvering for the north

Bureau of the Science and Targue factory in north-east become growince in north-east the was moved to Peking to become director of the Third Bureau of the Science and Targue factory in north-east the way to become director of the Third Bureau of the Science and Targue factory in north-east the north After transferring to be cause we couldn't find a way the chief for the north as the north After transferring to be cause we couldn't find a way the chief for the north as a factory in north-east them out politically or economically.

We couldn't see any future there."

Ye junior spent time in Technology Commission.

"I am a Communist Party membe



PROFILE: YE XBANPING, COVERNOR, GUANGDONS

Return by son of province

ings of the Cantonese people He is also probably less fazed than many by the comparative openness of the province to foreign influences.

He sees Guangdong at the forefront of the open-door policy, and seems to thrive on the challenges involved with being the first province to take "the pounding waves" of foreign influence—first in 1979 the exposure to foreign affluence, then to Western culture, and then in 1983 to the eruption of corrupt business

some negative influence over the society, but when this is overcome, it will inject renewed vigour into our society," he nmented recently.

Local people are no longer titivated by being able to watch Hong Kong television pre-grammes, he says, but he jokes about visiting officials from northern China who stay up late at night wide and over not at night, wide-eyed over pro-grammes they can never

grammes they can never normally see.

While he is confident that Guangdong has built up an irresistible momentum for economic growth, he is concerned ebout the poverty of knowledge among cadres who are entrusted with orchestrating the province's modernisation policies. He is also concerned about Guangdong's imbalanced development—particularly the failure to provide enough electricity, or an adequate infra structure, to ensure smooth development.

As a result, investment ir power generation and road and rail building remains the raff building remains the priority of the coming five-year plan period. Economic growth is also to be eased to reduce gressures that led to severe overheating of the economy in 1984 and 1985.

"Reforms have been moving

very fast, and it has been easy to trip over or fall behind. Guangiang inevitably ex-periences reforms faster, and

more strongly," be says.

The mood of confidence is never the less strong. "There is no comparison between the Guangdong of today, and the Guangdong I left in 1940. There there was suffering, and now we are thriving."

David Dodwell

Again the leading exporter



TRADE: Changed

have been outpaced by from major port clides along China's eastern coastline—like Shanghai, Tianin and Dalian. The advent in 1979 of China's current programme of economic reforms is gradually reversing that.

Today, helped by stimulative government policies and considerable foreign investment, Guangdong is again China's foreign economic relations and export administration of Shanghai and Liaoning province, last year's top two the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the first half of the province has logged more in the province and the half of the province has logged more in the province and the hand the province and the province

export. At the same time, the handbags and plastic products, a dish or their mean. It was to 13m overseas Chinese, it is tracked that someone had tried over 80 per cent of Guangdong's over 80 per cent of Guangdong's industrial output last year.

That had been exporting grads

That had been exporting grads

The desired that someone had tried to fice to Hong Kong, or that they had arrived there with the subsidies it had been paying over 80 per cent of Gazangdong's to foreign trade corporations that had been exporting goods for foreign exchange at a loss.

Manufacturers had quickly responded by selling into the more profitable home market, where delivery deadlines and quality requirements were less

demanding.

To counterbalance those decisions, Guangdong allowed foreign trade corporations fresh autonomy to set prices of goods being sold abroad, instead of booking them in to official price attrictures. The government the form of factories and ventures by allocating a greater concerns in Hongkong or Macao.

Enterprises now have improved eccess to the foreign exchange they earn, depending on the types of products they sell and whether the goods are initial investments of \$1m or initial investments in China. At the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown that the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown the end of 1985, according to Hong-kong's Trade Development Council, local companies had shown the end of 1985, according to the end of 1985, according to the end of 1985, according to Hong-kong to the end of 1985, according to the end of 1985,

exports by allocating a greater concerns in Hongkong or Macso portion of foreign exchange which are eager to take advanturations to companies selling products overseas.

foreign investment have

put the province in an even stronger trading position.

PERHAPS no Chinese province is more intertwined historically with foreign trade and investment than Guangdong. For cent devaluation of the yuan in July.

Still, Guangdong officials say the most significant long-term factor in the province a more continues, the milky-brown Pearl river that meanders through its verdant counties has carried China's produce to the world, chamnelling the vast array of China's resources into export. markets across the world.

For much of this century, hereafted at least 30 joint ventures in Guangdong involving initial investments of \$1m or more.

Because many of the ventures act as satellite plants for manufacturing concerns in Hong-tong is increasing. Still, more apports being shipped to Hongtong is increasing. Still, more apports of the growince are fresh food products. In the first six months of the province's exports, or 59 per cent of Guangdong atotal exports, or 59 per cent of Guangdong atotal exports, or 59 per cent of Guangdong atotal exports, went to Hongtong—comparts which site of 1986.

The involvement of Hongtong

The provincial government and Macao businessmen has according to the first half of 1986.

The involvement of Hongtong

The provincial government and Macao businessmen has according to the provincial government and Macao businessmen has according to the provincial government and Macao businessmen has according to the provincial government and Macao businessmen has according to the provincial government and Macao businessmen has according to the provincial government and the second and whether the goods are notically.

The involvement of Hongtong intitial involvements of \$1m or more.

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Because many of the ventures accurate in Guangdong intitial involvements of \$1m or more.

Because many of the ventures accurate in Guangdong intolicate in the second of Guangdong intolicates.

Because many of the ve

export: markets across the doug's Economic Commission.

The involvement of Hongtong and on new bottle, Standard Commission.

During the first half of 1986, and Macao businessmen has imposed a ban on new hotels, although efforts are capital. Guangzhou (Canton) have been outpaced by the flood of trade and investment commission or nearly 12 per cent of Guang-thou flood of trade and investment emanaging from major port.

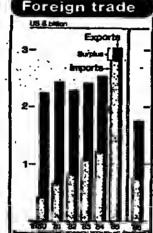
Shanghai and Llaoning province, last year's top two exporters. In the first half of 1966, when the country's total exports were up 13.7 per cent to \$12.8bn, Guangdong's exports were up 13.7 per cent to \$12.8bn, Guangdong's exports were up 13.7 per cent to \$12.8bn, Guangdong's exports were up 13.7 per cent to \$12.8bn, Guangdong's exports were up 13.7 per cent to \$12.8bn, Guangdong's exports were up 13.7 per cent to \$1.8bn, about 14 per cent of the national total.

Provincial officials expect to register an equally strong in the second half, when South China's autumn harvest normally boosts agricultural exports.

Agricultural output makes up 45 per cent of Guangdong's commission of foreign economic relations and trade.

The province has logged more than \$1.8bn, about 14 per cent of the \$16bn that foreigners have committed to the entire country since 1979. So far, \$2.4bn of that has been spent in Guang-dong apporting to the \$16bn that foreigners have committed to the entire country since 1979. So far, \$2.4bn of that has been spent in Guang-dong apporting to the \$16bn that foreigners have committed to the entire country since 1979. So far, \$2.4bn of that has been spent in Guang-dong apporting to the \$16bn that foreigners have committed to the entire country since 1979. So far, \$2.4bn of that has been spent in Guang-dong apporting to the \$16bn that foreigners have committed to the entire country since 1979. So far, \$2.4bn of that has been spent in Guang-dong apporting to the \$16bn that foreigners have committed to the entire country since 1979. So far, \$2.4bn of that has led to wide circulation of the florigh ceredity of hard currency was blamed for a \$1.5bn, about 14 per cent of black market in \$1.5bn, about 14 per cent of the \$16bn that foreigners have appreciate control appropriate apports.

The province has logged more than 15.5bn, about 14 per cent of the \$16bn that foreigners have appreciate to build a foat glass recently, according to the currency was blamed for a \$15bn that foreigners have appreciate to buil



gathering momentum only a year after splintering out of a three-year slump that saw exports decline in nominal as well as real terms from 1961 Channels for trade

levels. Exports slackened markedly in the first half of 1985, when Peking allowed Chinese factories to decide for themselves what products they would produce and where they would sell them.

Domestic consumer demand was soaring then, tempting many factories to manufacture consumer goods for the domestic market rather than for export. At the same time, the central government withdrew

CONTINUED FROM PAGE I trying to swim to "freedom" in Hong Kong, there are today fawer than 1,000 a month.

People in Dongguan were appalled recently with news that five people from the municipality had been arrested in a long way since the death of wanchai district with not enough money to pay for even a dish of their meal. It was chinese, it is proximity to Hoog Kong, and to 13m overseas Chinese, it is likely to travel even fairther,

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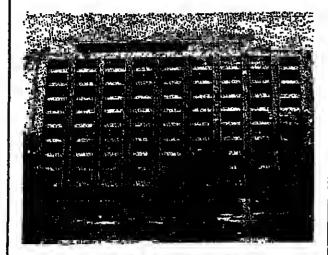
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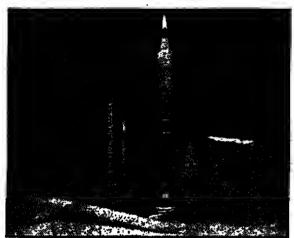
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Haikou, the island's capital. Peking is keen to see Hainan develop as rapidly as possible and dozens of hotels have been built

Development quickens

LEADERS IN Hainan, China's "tropical Treasure Island" in the far south west of Guang-dong, have merged bruised but unbowed after the biggest cor-ruption scandal ever to be admitted by China's Communist

More than 60 were prosecuted, and Lei Yu, the charismatic political head on the island, was among a number of officials to be sacked after it was learned that illicity-obtained foreign exchange had been used to import 80,000 foreigng egars — many for resale on the Chinese

mainland.
"The after-effect was very bad—we have learnt a lesson," says Meng Qingping, Lei Yu's successor as Hainan's deputy secretary. The lesson is likely to cost the province \$20m in loans that have to be repaid to the Bank of China.
"The bank of China.

Embarrassment and recrimination there may have been, but none of the economic freedoms granted to this barely-developed island of 6m people Sanya is receiving substantial appear to have been withdrawn government backing, with a new sirrors under construction.

appear to have been withdrawn as a result of the scandal. If anything, the opposite is the case. With freedoms equal to those of the country's special economic zones, and with national priority being given to the island's embryonic tourist industry, Peking has signalled that it is keen to see Hainan develop as rapidly as possible. Over the past five years, the island's leadership has been making up for lost time. It now meets half of China's needs for dry rubber, and is a major producer of sugar, coconuts. producer of sugar, coconuts, vegetable oils, coffee, medicinal, berts, forest products, and marine aquatic products.

The Siln-iron mine in the west of Hainan, one of the largest in China, is an important suplier of ore to mills on the mainland. Resources of



HAINAN: Development has lagged behind for many years but the leadership is now making up for lost time.

with Hainan accounting for be-twen 60 and 70 per cent of China's known reserves of these

new airport under construction at Sanya, and direct flights now linking the island with Hongkong and Singapore.

Dozens of international-class

hotels have been built, and tele-communications links between Haikon and Hongkong are among the best in China. Roads remains poor, but investment is being directed at rapid im-Alongaide the conscious development, Hainan has had its share of luck with the discovery share of luck with the discovery of 90bn cubic metres of natural gas about 100 km off its southern coast. Of the 3,25bn cubic metres a year that is due to be piped coshore after 1989. Hainan itself is earnarked to take 1bn cubic metres.

This will be used to supply about 120,000 urban homes with domestic gas for cooking. are also being heavily exploited. light and heating. It will also

fuel a 100 MW power plant, a sponge iron plant, and a synthetic ammonia plant — if local officials have their way. Also on the drawing board — but ewaiting foreign financial support — are ventures using the gas to make finat glass, cement, and dividuous dissidues and the second in and titanium dioxide, used in

In the five years since 1981, Hainan has attracted \$130m in foreign investment connected with 230 ventures. The sum is modest by comparison with other parts of Guangdong, and a range of policies has been agreed by Peking to aid the island's government in attracting new investment.

ing new investment.

These include substantial concessions on import and export duties, tax rates half those prevailing elsewhere in China, and only beginning at the end of two years of profitable husiness, and discretion at the local level to waive industrial and commercial consolitrial and commercial consoli-dation tax if a venture is struggling to achieve profit-ability.

Hainan's foreign economics relations commission, has also outlined detailed policies simed outlined detailed policies aimed at aiding ventures that are having difficulty balancing foreign enchange costs. This has been a particular problem in Hainan, since many of its foreign joint ventures involve production of raw commodities, or simplementation of the commodities. or simply-processed com-modities—many of which have been difficult to place in over-seas markets, or have fallen victim to volatile price fluctu-

After literally centuries of neglect, these changes add up to nothing short of a revolution on an Island that it twinned with Hawali and has its sights on developing on similar lines.

Hotels: a building spree

"THE TROUBLE IS, the more hotels there are here, the smaller the piece of cake you further construction of what it builders get," says hir Niklaus Leuenberger, Swiss general manager of the 1,125-room Garden Hotel

"THE TROUBLE IS, the more enough for the provincial from House in August to ban One of further construction of what it builders describes only as middle- and government in Lucius spource. Only the 31 hotel projects are joint which the provincial from House in August to ban One of further construction of what it builders of the provincial from House in August to ban One of further construction of what it builders of the provincial from House in August to ban One of further construction of what it builders of the 1,125-room Garden Hotel

But the figures do not tell the entire story. The Canton authorities count hostels, over-

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smaller the piece of cake you get," says Mr Nikhus Leuenberger, Swizz general manager of the 1,128-room Garden Hotei in Canton.

So how many hotels are there in Canton? According to the Government, the city has 664 tourist hotels boasting a phenomenal 59,000 beds. That is 13 times as many tourist hotels and three times as many hotel beds as there are in Hongkong.

But the figures do not tell time."

Golden Mile, a Hongkong company, is involved in three botel projects in Guangdong. It is managing Canton's newest major hotel, the 236-room, \$27m authorities count hostels, overnight guest houses and even
spare army barracks as hotels;
the Hongkong figures do not include such accommodation.
Still, there undoubtedly is a
hotel glut in Canton and surrounding Guangdong province,
and it has become worrisome

company, is involved in three
botel projects in Guangdong. It
is managing Canton's newest
major hotel, the 236-room, \$27m
Central Hotel near the city's
airport. It also is building a
pair of joint-venture hotels in
Shemhen Special Economic
Zone just across the border

One of the most prolific hotel builders in Guangdong is the government itself. Most of the hotels sprouting in the province are joint ventures between the government or its agencies and businessmen from Hongkong and Macao.

Guangdong International Trust and Investment Corpora-tion (Gitic), the provincial government's main investment bettels in government's utain investment Shenzhen, two in the nearby special economic zone of special economic 2008 of Zhuhai and is building one in Canton, Mr Xu Feng, Gitte'e president, describes the busi-ness in the Shemhen hotels as "good," but says occupancy rates in the Zhuhai hotels are just "sogn." just " 80-60."

Nevertheless, he is optimistic about Gkie's Canton Hotel, which will be part of the corporation's new 60-storey headquarters building, now neauquarters building, now under construction. It will be

Canton's hotel business is Canton's hotel business is now dominated by three major wentures between Guangdong enterprises and Hong Kong businessmen. These are:

The Garden Hotel, a \$90m joint venture between a state-backed company and a consortium of Hong Kong companies, including Swire Pacific and Henderson Land Development;

The 1,000-room White Swan Hotel a \$30m joint venture Hotel, a \$30m joint venture between Guangdong's Tourism Bureau and Hong Kong business magnate Henry Fok; The 1,017-room China Hotel, a \$125m venture between the government-backed Yang Chen Service Development Co and six major Hong Kong property

companies.
During the summer and autumn, the height of China's tourist season, the hotels are often more than 80 per cent occupied, their managers say. But in the winter and antumn, when tourism is down, the hotels size is a hindrance to achieving the 50 to 60 per cent

occupancy rate needed to keep them profitable.

Another problem is the aver-age length of stay in Canton hotels. While visitors tend to spend ebout four nights in hotels in Peking, they stay on average just over one night in Canton hotels. And the num-

Discreet wealth of Dongguan

IT WAS back in 1575 that the people of Dongguan began making fireworks mere sticks of bemboo stuffed with gunpowder. Today, the industry employs 100,000 people in this small city on the road from Guangshou to Hong Kong, and accounts for a third of the fireworks made in China.

Exports last year—most of them to the US for Indepen-dence Day celebrations and Christmas—earned US\$30m, probably making it the largest pyrotechnic centra in the world.

The city sports this title discretely. After a series of large explosions in the 1960s, all dangerous materials are handled in small workshops dispersed around the city's suburbs. Products range from traditional family fireworks to trick exploding cigarettes and 12-inch diameter "bombs" that hurl pyrotechnic cocktails 300 yards into the air.

In similar discreet vein, this city of 1.2m is also reputed to have China's largest bauana plantation (15,000 hectares), the country's best lychees, domination of Hong Kong's rice noodle market, and two Olympic gold medallists for weight-

Dongguan may have been a city few people have heard of before, but with a litany of achievements like this, it does not deserve anonymity.

not deserve anonymity.

Dongguan has in five years become one of the richest communities in China. Its fertile soil, which in the days of Soviet domination of China gave it a reputation as China's equivalent of the Ukraine, produces 500,000 tomnes of rice a year, 500,000 tonnes of cane sugar, 100,000 tonnes of bananas, 25,000 tonnes of lythees, and a host of other cash crops. cash crops.

"You do not rank among the top people in Dongguan unless you have 100,000 youn in the bank," comments Liu Suli, the city's acting deputy mayor. In a country where annual incomes appraisant less than 1,000 years. average less than 1,000 yuan, the figure speaks for itself. Local citizens have saved more than 1,1bn yuan in local banks —about 1,000 yuan for every men woman and child in the community—which is useful in a municipality with extensive construction and development

The area's agriculture—which accounts for just 200,000 of Dongguan's workforce—provides the foundation for exten-David Dodwell

sive food processing industries.
This includes not just rice noodles (50,000 tonnes were experted last year), but also soft drinks, flour, biscuit-making, sausage-making, and a wide range of dried fruit and recentifies. regetable packaging.

With more than 800,000 overseas Chinese tracing their
seas Chinese tracin fees last year earned the city US\$68m, about 40 per cent of exports totalling \$168m.

These factory operations employ more than 1,000 employ more employ more than 1,000 managers and technicians from Hong Kong alone, most of them spending the working week in Dongguan and returning to homes and families every weekend.

· Even the power shortages that are endemic in most parts that are endemic in most parts of Guangdong touch Dongguan lightly. The municipal government has built two small thermal power plants out of its own funds, and from late next year will be receiving energy from the almost-complete Shadileo jiao power plant in its eastern

On the back of this powerful On the back of this powerful and varied economic growth, Dongguan's industrial and agricultural output has doubled to RMB Yuan 1.92bn between 1980 and 1985. In what was once e largely agricultural community, industry now accounts for three quarters of the city's jobs.

Even the historically dominant firework industry is being overtaken by more conventional—but equally lucrative, and distinctly safer—industrial

The city today hardly beans comparison with the shackled economy of Mao Tsetung's era, when each crops were ignored to maximise national rice output. At that time—not much more than a decade ago—it was a prime sport among the city's listless youths to try to escape to Hong Kong in search of for-

found closer to home, the exoemigres from Dongguen to Hong K ong ane the city's famous dragon boat teams. In 1984, a team from Dongguen defeated allcomers from as far afield as Harvard in the US

Guangdong's telecommunications

1980s telephone system arrives

TO ANYONE who has never travelled in China, it may seem odd to admit the buzz one gets from picking up a telephone in Haman and dialling direct to Hongkong.

In a country where the cleft stick sometimes seems quicker than any other kind of communication, the sense of isolation from the outside

of isolation from the cutade werld can often feel acute. But in Guangdong province—excinsively in China—the completion of a microwave telecommunications grid means that modern connec-

tiens have arrived.

The new grid is playing an important part in bringing Guangdong close to a point where petential foreign investors can expect an infratrustrust that no lengar days. vestors can expect an infra-structure that no longer dogs progress. Electricity may still be in chronically short sup-ply, and the road network may be more suited to Land Rovers than limonsines, but at last telecommunications are

beginning to improve.

With technical assistance from Cable and Wireless in Hongkong, the Guangdong Post and Telecommunications Post and Telecommunications
Bureau in March completed
a 975 km system stretching
from Haikou in the west to
Shantou in Guangdong's
extreme east.
The 1,300-line system,
which cost about \$15m, can

carry television, telex and facsimile messages as well as telephone calls. It compares with existing everhead telephone cables that carry a large 28 lines. bare 20 lines. The system links in Guang-zhou with a 2,700-channel

chims, the call success rate between Hong Rong and main cities in Gungdong new matches that of normal international calls. Outside Guangdong, only Peking has modernised to a level comparable with the southern received. The provinces of Jiangua and Zhejiang in the Yangue Delta behind Shanghal are discussing a similar grid with Cable and Wireless, but for the time being lag far behind. From Hainan, Hong Kong may just be a dialling tone awy but, for the foresceable future, full international calls.

future, full international calls will still have to be routed through Peking or Shanghai and delays through these "gateways" remain as long

More cargo going through Huangpu

HUANGPU PORT may never challenge Hong Kong as the per-eminent port in southern pre-eminent port in southern China—the mere fact that it is 150km up the Pearl River from the South China Sea ensures that—but it is playing an increasingly important part in the foreign trade of Guangdong and the seven provinces that surround it.

From just two bertis in 1949, Huangpu has 19 bertis today, all able to take 10,000-toune ships. Cargo handled has grown from 12.1m tounes in 1989 to 17.7m tonnes lagt year, and is expected to surge to 18.5m famnes this year despite a design capacity of

Growing pressure on existing berths has led to the completion of plans for a new port in Xinshagang just south of the existing perths. The first stage of this ambitious new preject, which will boost port espacity by over 11m fames a year, involves plans for 10 new berths-and the

them—costing RMB Yuan 680m, to be built by the early 1990s. A World Bank loan of \$100m for the project has been under negotiation for

system to Shenzhen, China's biggest Special Economic Zone, and Hong Kong. By 1988 this north-south channel should have an optical fibre link in operation that will be capable of carrying 50,060 telephone channels.

The impact on business in Guangdong has been immediate, though problems still exist where new local exchanges are being built, and where telephone and telex units are still in short supply. Calls between Hong Kong and Guangzhou have soured from an average of 1,800 a day at the end of 1984, to almost 5,000 a day now.

familiar engaged tones that greet callers to most parts of China, the call success rate

some time.
Of cargo handled at present by Huangpu, almost 56 per cent involves trade with other Chinese provinces. Huangpu is also predominently used for importing. In 1985, 75 per cent of the 17.7m tonnes of cargo handled was coming into Guangdong—much of it coal and oil for the province's power plants, bulk grain, and urea as fertiliser for the substantial farm operations in the Pearl River Delta.

The only dull sector of the port is its modern container terminal, where barely half of the annual handling capacity of 100,000 containers is being used. This is in part because a large preservious of the a large proportion of the world's modern container vessels are too large to travel so far up the Pearl River.

D.D.

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hers are not growing. China National Cereals, Oils and Foodstuffs I/E Corp., Last year, Guangdong pro-vince had 1.85m visitors from abroad, up just 0.8 per cent from a year earlier. UK in this demanding smutal bout race. But that is another achieve-ment the city has managed until now to reman discreet about. By a special correspondent



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VEHICLES: A joint venture to make pick-up trucks brings the transfer of modern vehicle-making

PÉJGEOT's 504 pick-up truck is today the workhorse of many French farmers. As the com-

French feathers. As the company prepares to aunch production in Guandong, so there are hopes that within a decade it will have won a similar important role in the Chinese countryside.

The venture, based in Hengsha near Huangpu, east of Guangzhou, is an ambitious one for both Peugeot and China. It involves foreign investment of FFr 240m and rapid transfer of modern investment or FFT 240m and rapid transfer of modern vehicle manufacturing tech-nology into a region highly reputed for its light industries but without any experience of heavy industrial manufacture.

"It's going to be hard in the

techniques.



The pick-up trucks take shape ready for the launch. China's demand for vehicles of all kinds is expanding

Ambitious partnership

but, without any experience of heavy industrial manufacture.

"It's going to be hard in the early stages to get even basic parts made locally of the eight quality," says If Pierre de Montgolfier, the French general manager of the venture. "Only by pressing production forward can wa hope to achieva a firm position in the production of cars in China."

Agreement on the partnership with the Guangzhou Automobila. Magnetoturing the stages are expected on the sum of the sum of the sum of training for eventual manufacture of 504 pickups. By the end of this year, the factory will be assembling compared, bits, with an expected output in 1884 produced 700,000 with the Guangzhou Automobila. Magnetoturing the partnership with the Guangzhou Automobila. Magnetoturing the sum of the partnership with the guangzhou at the need for family of private the need for family of p

by pressing production forward can wa hope to achieva a firm position in the production of cars in China."

Agreement on the partnership with the Guangzhou Automobile Manufacturing Factory (GAMF) was reached in March last year after five years of negotiation. It has an unusual array of shareholders—include; the Chinas International Trust and Investment Cosporation (GITIC) with 20 per cent, the International Famore Corporation (FC) with 3 per cent and Empelor in the femous No. (Per people) with 4 per cent, the International Famore Corporation (ITIC) with 5 per cent, as well as GAMF with 46 per cent, as well as GAMF with 46 per cent, as grandled and production of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing International Famore Corporation (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing ITIC (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing ITIC (ITIC) with 5 per cent and Empelor itself is in the unusual—and potentially delicate—position of providing ITIC (ITIC) with 5 per cent and IT ecutives at Guangzhou Peugeot
are trying to shrug off is that of
balancing foreign exchange

It also has an imported icecream making operation—which
since being installed in Decem-

Questions on food venture

"OUR PARTNERS have to eneral manager of Guangmei of canned water chestnuts. in Guengdong.

to meet summertime demand for soft dricks in nearby Guang-zhou, fears that the venture will end 1988 in the red have already begun to subside. Whether it will manage to balance its foreign exchange costs is another matter.

Constraint working round the clock ture agreement was that Guang-mei would be credited with for-eign exchange earnings from the export of water chestnuts in order to meet its foreign exchange needs.

Beatrice complains that this commitment has never fully

another master.

Guangmei was set up in October 1994 as a joint wenture between Beatrice Co Inc, the private Chicago-based foods group, the Guangzhou Foodstuffs and Industrial Corporation, and the China International Trust and Investment Corporation (Citic). The original \$10m investment has since been doubled to \$20m.

Guangmei's modern factory.

been doubled to \$20m.
Guangmen's modern factory, close to Huangpu east of Guangahou, has an imported soft drinks bottling line that this year will produce about 20m bottles for consumption in cities around Guangdong. Soft drinks account for about 70 per cent of earnings, a proportion that is likely to grow even larger, given a target of 50m bottles next year.

It also has an imported ice.

ber last year has reached a daily output of 25,000 comes a

local sugar prices are twice those on the world market. If the government wants us to be competitive, then it has to let us get our act together."

"OUR PARTNERS have to The group bottles some soft realise that the world is not drinks for a Hong Kong retail waiting for Chinese ice-cream group, but most of this year's or soft dninks," comments \$200,000 foreign exchange earn-Hector Veloso, the American ings will come from the export

Foods, a joint venture that has Beatrice bas for many years the potential to be one of the booght water chestnots from most successful yet established China, for sale in the US under its "La Choy" label. A critical With the company's bottling part of the original joint venplant working round the clock ture agreement was that Guang-

tions bolds a monopoly on the export of such agricultural pro-ducts, and it is understandably reluctant to forego the foreign exchange that it has traditionally earned from Beatrice's purchases.

Zhang Decheng, the Chinese zanag pecheng, the chiefse vice-general manager at Guang-mei, acknowledges the foreign exchange problem, but feels optimistic it can be overcome as more materials come to be sourced inside China.

Zhang has also been buoyed by the rapid growth in domestic demand for Guangmei's goods —so much so that he hopes soon to win approval for plans to produce plastic bottles that will enable the group to market its soft drinks natioowide, rather is far from certain that export

1.000 sales will be possible on this scale, given the protected nature of most motor industries around Asia.

1.001 "I see this as a problem between now and 1992," says Mr Montgolfier. By that date, that process of localisation is expected to have trimmed considerably that venture's foreign exchange bill. At this stage, Mr Montgolfier appears genuinely optimistic. Whether he retains that optimism through to 1992 is a question that only time answer.

1.000 since would a snack-foods product. While domestic sales—particularly of soft drinks—have probably surpassed expectations, hopes that exports would cover shope that exports would cover slim a year in foreign exchange cover shave so far been frustrated. You are trying to compete on the world market with Chinesestyle products," says Hector veloso: "We are maybe at the world be transfered faster."

China's pricing structures also frustrate export bopes, according to Mr Veloso. "Chine's metal to that only time answer."

I see this as a problem bettion line. While domestic sales—particularly of soft drinks—have probably surpassed expectations, that exports would cover shave so far been frustrated. "You are trying to compete on the world market with Chinesestyle products," says Hector veloso: "We are maybe at the plant, since Beatrice is unwithen that only increase at the plant, since Beatrice is unwithing to compete on the world market with Chinesestyle products," says Hector veloso: "We are maybe at the plant for the exposition in the existing \$20m lovested in the existing \$20m lovested in the plant, since Beatrice is unwithen the committee of the exposition in the existing \$20m lovested in the plant, since Beatrice is unwithing to compete on the existing \$20m lovested in the plant, since Beatrice is unwithen the plant for the exposition in the existing \$20m lovested in the plant, since Beatrice is unwithen the existing \$20m lovested in the exi

Veloso.

"We are no longer a development company. We expect to be profitable this year, to be paying taxes by 1988. I blow hot and cold from day to day, but feel fairly optimistic that this will come together."



Western ice-cream comes off the production line, for the first time in China, at the Guangmei factory



Oil exploration still disappointing

CHINESE TEA AND

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With their own distinctive character-

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development. Nevertheless, he says the success rate is about that of the first oil searches in the North Sea.

The foreign companies are more disappointed, and to compound their dissatisfaction with the exploration programme's success rate, world oil prices have ebbed considerably since China first allowed broad foreign participation in its off-shore oil search. Earlier this year, spot-market prices of the world's major crude-oil grades fell to lows of about \$3 a barrel in 1982.

Today, prices are hovering in a range of \$12 to \$15 a barrel, below the \$20 a barrel that some Chinese officials say would be necessary to make offshore production profitable.

The decline has hurt China, which last year produced nearly 125m tons of oil, making it the world's sixth-largest oil producer. It earned about one-fifth of its hard currency from oil sales.

The decline in prices, in combination with the poor results

sales.

The decline in prices, in combination with the poor results of the first round of drilling, also has dampened foreign interest in China's offshore oit exploration programme. Of 22 foreign consortia that bought seismological data for bidding in China's second round of offshore exploration, only five operators have signed contracts to explore in a total of severiblocs.

to explain in a word to begin drilling at the end of the year, but entitudism about thesearch is murted. "Most of the first-round finds aren't exploitable," says an executive with a US oil company, "People are will-

CHINA'S PERSISTENT optimism about its offshore oil subset of the official programmer rarely discovered a major official," says in the Gordina for the official Nambal East Oil or gas have turned up in petter understanding of the geological formations in the south of foreign exploration, better understanding of the geological formations in the south of foreign exploration. South China Sea, and that will help us find oil and gas in the foreign participation to enter the official Search has been more than a mere geological formations in the south of the first foreign participation to enter the first production, starting in August, between the capanity endersea tracts off Guangdoog Province, foreign companies have spent at least \$1.00 more continued of the first foreign companies have spent at least \$1.00 more continued of the first foreign companies have spent at least \$1.00 more continued as \$1.00 more continued to the state of the first foreign companies have spent at least \$1.00 more continued to the state of the first foreign companies have spent at least \$1.00 more continued to the state of the first foreign companies have spent at least \$1.00 more continued to the state of the first foreign companies have spent at least \$1.00 more continued to design the spoured as anoth as \$1.00 more continued to the state of the sta

district of the Shenzhen Special Economic Zone both have felt the impact of that slowdown. He Yuan Geng, chairman of China Ocean Oilfields Services (Hongtong (Limited and vice-chairman of Shekou's China Merchants Steam Navigation Company, says Shekou suffered a serious setback because of the slow pace of oil exploration. He recently told reporters from Hongkong that Shekou was trying to diversify its incipient industrial base to avoid dependence on the oil industry.

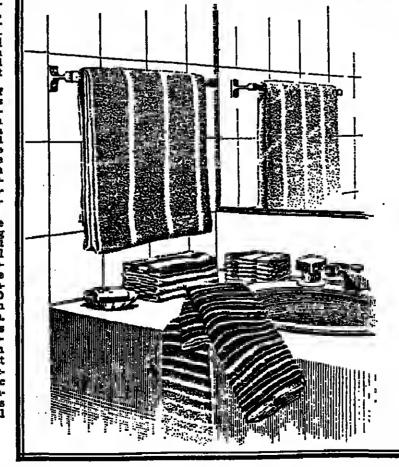
Metrwhile, many of the same

Me:twhile, many of the same foreign companies are gearing up to participate in onshore oil exploration. China National Cil & Gas Exploration & Development Corporation, the state agency responsible for the onshore search, says more than 60 foreign companies have shown interest in onshore exploration.

To entice foreign companies to participate, CNODC has proposed five types of exploration contracts, ranging from straight production charing arrange-ments to speculative seismic surveys allowing foreign compaines to use their own systems to determine the location of oil before drilling for it.

By a Special





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Regional appointments

APPOINTMENTS

andit and corporate advisory services).

Mr Ted McDowell has joined HARLAND SIMON COMPUTER. SYSTEMS (a member of the Harland Simon Group) as managing director. He was technical director and divisional manager of a systems and software company, part of GEC.

Mr Maurice Eastaff has been appointed to the board of UNI-GATE. He joined in 1950 and was appointed managing director of Unigate Dairies in October

Mr Simon N. L. Chalton and Mr Richard Templeton have joined the board of THE WEST OF ENGLAND TRUST as non-executive directors. Mr Michael Whitwell has also joined the board fellowing his appointment as chief executive of its subsidiary, Jordan Group.

Company Notices

NOTICE OF NINTH PARTIAL REDEMPTION

THE KINGDOM OF DENMARK

Issue of US\$ 250,000,000 12%% Notes due February 27,1992 with 250,000 Warrants to subscribe 12%% Notes due February 27,1992

Pursuant to paragraph "Redemption and Purchase" of the Terms and Conditions of the Notes, notice is hereby given that as a result of exercise of Warrants, Notes for an additional aggregate principal amount of US\$ 7,000,000 will be redeemable on October 23,1986 at 101 per cent. of their principal amount, together with accrued interest (Le.US\$ 417.92 per denomination of US\$ 5,000) from February 27,1986

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented to Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Notes:

								.	[
00022 04164 05610 00405 04138 05612 00405 04139 05613	08392 10990	13847 1632	19908 22476	27473 27853 27474 27864 27477 26182	30095 32	848 35940 853 35942	40499	11248 440	14 46809
00405 04138 05812	08396 10982 06400 11002 06401 11055	13848 1532 13860 16486 13853 16486	19909 22478	27474 27864	30096 32	853 36942	40500 4	11342 440 11473 440	20 46811
00406 04139 05613	06400 11002 06401 11055	13850 16486	19910 22480	27477 20162	30200 32	855 35944 856 35946	40508 4 40504 4	1476 440	27 47084 26 47085
00405 04140 05815	08401 11055	13853 15484		27478 28168 27478 28170	30211 32	955 35944 956 35946 857 35949	40506	11478 440	
	08408 12348	13857 1649			30212 32	857 35949 862 38952	46611 4	11480 440	34 47089
00413 04150 05620	08408 12352	13860 16492 13861 16503	19919 22483 19920 22485	27480 28171 27481 28172	30218 32	864 35953	40515		37 47275
	08410 12355	13861 16503 13864 17033 13865 17033 13866 17038	19920 22485 19922 22487	27483 28177	30305 32	670 35964	40615		
	08411 12358 08414 12380	13865 17035	19024 22489	27487 26178		000 35861	49519 4		
00417 04244 05624 00524 04248 03826	08414 12380 08418 12382	13866 17038	10027 22499	274BB 28179	30480 33	001 35962	40521 4		
00525 04247 05629	08415 12364	13057 17038	19028 22407	27495 26166	30480 33 30483 33	704 35005		11882 440	
	08492 12385	15082 17040	19931 22500	27498 28187	30464 33	126 35966	40524 4	1063 440	95 47782 L
00537 04251 05831	08729 12366	: 15083 17 04 1	19938 22602	27500 28193		130 35969	40825 4	11000 442	87 47764
00551 04253 06344	08845 12368	15088 17042	19938 22502	27506 26166	30678 33	181 35074	40520 4	1668 442	86 47768
00718 04285 08345	ORRAT 12969	15095 17046	19945 22504	27508 28200	30928 33	158 35976	40531 4	1670 442	72 47769
00829 04257 06347	08847 12369 08849 12376 08862 12377	15096 17046	19948 22568	27509 28203		160 35977	40532 4 40535 4	1784 442	74 47770
00829 04257 06347 (00830 04281 06348 (08882 12377	15009 17047	19952 22725		30931 33	460 35060	40535 4	1789 444	51 47771
00831 04263 08849 (08925 12378	15100 17063	19954 22875	27512 28208	30932 33	461 35981 462 35983	40536 4	1791 444	
00832 04264 06350 (08955 12384	18102 17054	19058 23064	27518 26207	30933 33	462 35063	40537 4	1986 444	
00971 04285 06355 (09153 12385	15103 17056	19958 23058	27518 28209	30035 33	466 35964 466 35967	40539 4	1967 448	
00872 04271 08356 (09157 12389	15104 17059	19959 23059	27520 28210	30937 33	461 35981 462 35983 466 35964 466 35967 471 35990	40540 4 40543 4	1990 448	06 47893
	09186 12390	15111 17080	19961 23428 19964 23429	27521 28215	30938 33 30940 33	471 35990 473 38280	40543 4	1995 448	08 47894
00977 04279 06363 (09161 12391	18113 17061	19984 23429	27526 28224	30040 33	473 36260	40540 4	2022 446	12 48025
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01483 04296 06870	09452 12396 08455 12401	15127 17314 15128 17515		27536 28339 27646 28841	31816 33	831 36647	40003 4	2200 448 2201 448	55 48672 37 48673
	00456 12404	15130 17772	20211 23496	27646 28841 27649 26844	31821 33 81822 33	88886 888	40586 4	3142 448	93 48874
	09458 12407	15132 17773		27860 28845	81824 33	735 38692	40667	3146 448	34 48677
	09462 12408	15136 17775	20331 23688	27659 28849	81825 33	846 38793		3147 449	
		18141 17778			81831 33	848 87059	40570 4	3149 450	
		15152 17778	20439 23881	27881 28862	31832 33	R40 37084	40575 4	3151 450	55 48682
	09893 12414		20440 27260 20561 27263	27RR4 2RRK3	81833 33	950 37068 941 87071 942 87131		3151 450 3153 452	36 48683
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01484 04306 08890 (0969B 12418	15159 17782	20552 27265	27670 28A57	81835 336	942 87131	40581 4	3156 452	88 48685
01485 04308 06891 0	09696 12418 09701 12417	15154 17783	20555 27266	27671 28884	31836 334	944 37805	40582 4	3150 4543	31 48692
	09714 12422	15166 17784	20667 27271	27672 28869	81837 336	949 37607	40583 4	3160 4545	
01487 04322 06893 1	10510 12425	15169 17786	20558 27272	27674 28870				9181 4546	1 48694
01486 04324 08895 1	10513 12428		20580 27274	27675 28871	31840 340	37610	40585 4	3162 4550	1 48696
	10514 12429	18171 17787	20617 27278	27676 26874	81842 340	080 37646	40586 4	3165 4652	21 48897
	10837 12491	15172 17789	20848 27277	27078 20076	31843 34 81844 84	154 38096	40587 4	3170 458	
	10639 12540	15173 17790		27681 28995	81844 84		40588 4	3171 4563	20 49003
	10840 12551	15174 17841	20759 27281	27665 26996	81846 34 81846 34	175 38103		3178 4563	
91845 04346 07050 1 01846 04346 07051	10923 12552 10924 13178	15178 18418 15180 18421	20760 27283 20761 27285	27686 28967	81848 341 31861 341	74 36104 75 38109		3170 456	22 40198
	10024 13178	15180 18421 15184 18422	20761 27285	27687 29678 27689 29680	31853 34	175 38108 178 38118		3181 451	
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	0941 13303	16595 18439	21201 27298	27712 29703	81865 348	360 38144	40611 4	3203 4003	3 49214
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	0945 13310	15800 18441	21204 27303	27715 29708	31869 348	867 38147	40744 4	3206 4663	
02199 04057 07515 1	0946 13318	15001 18442 16196 18515	21207 27304	27718 29708	31670 348	370 38149	40745 A	3207 ARR3	8 49714
	10949 13319	10196 18515	21212 27305	27718 29710	31879 348	371 -38285	40746 4	3212 4864	
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02306 04964 07524 1	0061 13322	18197 18717	21247 27416	27720 29714	31906 348	76 38291	40754 4	3223 4665	0 49719
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02563 05592 07701 1	0964 13334	16206 19870	21636 27426 21637 27426	27730 29722 27732 29724	32460 356		40764 4	3494 4677	8 49728
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Notes surrendered for redemption must have coupon due February 27, 1987 and subsequent attached. Interest will cease to accrue on the above drawn Notes as from October 23, 1986.

Amount remaining outstanding: US\$ 26,000,000

Luxembourg, September 22, 1986



THE FISCAL AGENT KREDIETBANK S.A. LUXEMBOURGEOISE

UNOCAL®

U.S.\$200,000,000 **Union Oil Company of California**

Guaranteed Floating Rate Notes due 1996

Guaranteed by

Unocal Corporation

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending on 19th March 1967 has been fixed at 6% % parannum. The interest accruing for such six month period will be US\$333.09 per US\$10,000 bearer Note, and US\$3,330.90 per US\$100,000 bearer Note, on 19th March 1997 against presentation of Coupon No. 2.

For holders of fully registered Notes the Rats of Interest for the six month period ending on 19th March 1987 has been fixed at 6% % per annum. The interest accruing for such alx month period will be US\$33.03 per US\$10.00 fully registered Notes, and integral multiples thereof; payable 19th March 1987.



Agent Bank 22nd September 1986

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 29th Augost, 1986 NOTICE is eow gives that the following distribution will become payable on ead efter 15th September, 1986, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION LESS 15% US WITHHOLDING TAX

6.25 CENTS

0.9375 CENTS

5.3125 CENTS PER UNIT CONVERTED at 1.483 = 3.58226 PENCE PER UNIT

Barclays Bank PLC Stock Exchangs Services Department 54 Lombard Street, London EC3P 3AH

and the second of the second o

NOTICE TO HOLDERS OF EUGOPEAN DEPOSITABLY DECEIPTS (EOO'S) IN AJINOMOTO CO., INC. NOTICE IS HERESY GIVEN that a tash dividend will be paid to share-holders of record data Saptember 30, 1986. Furthermore, it has been declared that the shares will be traded and vidend on the Jubanete Stock exchanges with offect from September 32, 1989. September 22, 1966. Depositary.

NOTICE TO HOLDEGE OF EUROPEAN OFFOSTIARY RECEIPTS (E0°5) IN NIPPON SHINPAN CO., LTD. NOTICE IS HEREBY GIVEN that e cash dividend will be paid to pheroliders of record date Sestember 30. 1986. Farthermore, it has been destored that the shares will be traded Exchanges with effect from Sestember 25. 1986. ex-dividend on the Jananese Stock Enthanges with effect from September 2d, 1986, 198 CITIBANK, N.A., London. Haber 22, 1986. Depositary.

HALF YEARLY DIVIDEND The directors of the Broken Hill Proprietary Company Limited errolessed to senounce that u half yearly dividend will be paid on 25 November 1986 at the rate of 17.5 cents per one dollar shure (November 1986 — 17.5 cents per share). (November 1986 — 17.5 cents per shars). The cividend is psyable on shars capital which wes increased by the one-for-five bonus issue made le february of this year. This half yearly dividend of \$220 million le us increase of 22 per cent on the November 1985 distribution. The dividend will be paid to registered kolders following the registration of transfers received up to 8.00 pm on Fridey 31 October 1996, the books clouing date. date.

For shareholder 1985 have elected thus 31 October 1985 have elected thus 31 October 1985 have elected thus some or all of the shares held by them shall participate in the company's dividend investment plus, the dividend shull be satisfied in respect of those shares by the ulturant of paid up shares lu accordance with the plan. (For US shareholders the date for ejection was 18 September 1985). Trunsfers will be accepted for registration at the company's shur registers at the following addresses: Sydney: Capberm:

itame: 140 William Street
:: 20 O'Coeeli Street
m: Arthur Yong
54 Marcus Clerke Street
le: 41-47 Currie Street
Perpetual Trusteu und
Nutional Executors of
Tuumuelu Limited
23 Murrsy Street
le: 162 Whuf Street
E6 St George'n Terrace

National Bank PLC 37 Broad Street The Sr

NOTICE TO HOLDERS OF OPEAN DEPOSITARY RECEIPTS (EDRs) IN NOMURA SECURITIES CO., LTD

NOTICE IS HERESY GIVEN that subject to shareholders' approval as cash
of record that Sentember 30, 1988
and, pending payment, the shareholders' register will be closed for
the period October 1.31, 1986 and
surian guis parked it will not be
possible to resistor the transfer of
shares against the strength of EORs, will
free distribution of shares be made to
shareholders of record data Sentember
30, 1986 in the ration of 0.05 share
for each 1 common share of Y50 each
(5 new for each 100 old).
Furthermore, It has been declared
this period of the strength of the
Stock Exthendes with effect from
September 26, 1986, Coupon No. 11
stacked to the GRs will be used
for the collection of the dividend and
Coupon No. 12 will be used for the
collection of the free shares.
Sentence of the free shares.
Sentence of the free shares.
Sentence of the free shares.

CITIEANK, N.A., London,
Sestember 22, 1986.

Contour N.A., London,
Sestember 22, 1986.

Contour of the fire N.A., London, CITIEANK, N.A., London, September 22, 1986. Depository.

CREDIT FONCIER DE FRANCE 1752320,000,000 sting Rate Notes due 1997 regarding water rected due 1997
le accordance with the provisions
of the ects, ectice is baraby
given thet for the six month
paried from April 14 1886 to
October 20 1966 the interest
emount per US\$70,000 to be paid
on October 20 1886 is 15\$350.32,
(Interest on the notes is cabject
to a mislimum interest rate of 5
per cent per snnum).

READY MIXED CONCRETE LIMITED **RMC GROUP PLC**

7%% Bonds due 1987 FF 80,000,000

Notice is hereby given that, in accordance with the terms and conditions of the above-mentioned loan, Bonds for the principal amount of FF6,816,000 have been drawn in the presence of a Notary Public, on September 8, 1986 for redemption at per on October 25, 1986. Principal amount of Bonds purchased by the Company: FF1,185,000. The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourgeoise or to other Paying Agents named on the Bonds:

Bonds surrendered for redemption should have attached the coupon due on October 25, 1987. Coupons due on October 25, 1986 should be detached and collected in the usual manner.

Amount outstanding: FF13,600,000,

Luxembourg, September 22, 1986



Principal Paying Agent KREDIETBANK S.A. LUXEMBOURGEOISE

Contracts and Tenders

INVITATION FOR BIDS

RTA - 2/86

provisional Military Government of Socialist Ethiopia, Ethiopian Road sport Authority (RTA) has recuived a gredit from the international lopment Association (IQA) and it is intended that part of the seds of this credit will be applied to slightle payment under the act for the supply of Road Traffic Safety and Training Equipment spars parts.

Inferested bidders from member countries or the world Sunc (IDA), Switzerland, Telwan and Chinu may obtain forther information from the RTA procurement Office Room 403 of the Headquarters Suliding, Telephone 15-73-27, Telex 21539, RTA ET. Ose set of bidding documents may be purchased by any interested sligible bidder upos payment of a non-relucidable fee of Sirr 20,00 for each set. The closing date for the submission of tenders shall be 15,00 hours local time on November 17, 1866.

Side will be opened in the presence of the bidders of their repentatives in the conference room of the Head Quurters building November 18 1986 at 10.00 hours local time. The Authority reserves the right to reject eny or all bide

Ethiopian Read Transport Authority P.O. Box 2504 Tel: 15-02-44 15-73-27 Addis Ababa Ethiopia

SYRIAN ARAB REPUBLIC

PUBLIC ESTABLISHMENT OF ELECTRICITY FINANCIAL DIRECTORATE-EXTERN CONTRACTS SECTION EXTENSION OF THE CLOSING DATE OF TENDER NO. 1608 Following our advertisement of the call of tender No. 1608 for the JANDAR THERMAL POWER STATION USING COKE FUEL 2×60 MW UNITS.

Which is mentioned in the daily official bulletin No. 5397 deted The closing date of presenting the offer is extended until WEDNESDAY 10.12.1986. THE GENERAL DIRECTOR OF PEE

Personal



IT'S COMMON... Over 100,000 people in the United Kings IT'S KILLING ...

IT'S DISABLING...

IT'S NEGLECTED... IT'S TREATABLE...

National Stroke Campaign of the Chest, Heart and Stroke Association

> R.S.V.P. Remember Stroke Victims Please

Registered Cherity No. 211015 The Cheet, Heart and Stroke Association, Thvistock House North Tavistock Square, London WC1H 3/E, Talephone: 61-387 3012

tion in support of the National Strain Compaign of S.

ALGERIA

NATIONAL COMPANY FOR THE SUPPLY OF FOOD PRODUCTS (E.N.A.P.A.L.)

Notice of International Invitation to Tender No. 21/86

The National Company for the Supply of Food Products "ENAPAL" is launching an International invitation to tender for the supply of 2.000 tonnes of coffee type "vert robusta" (green robust), with the usual conditions applicable, as set out in the specifications.

Offers must be sent in a double sealed envelope to: ENAPAL, 29 Rue Larbi Ben M'Hidi, Algiers. The outer envelope should be strictly anonymous and should read Appel a la Concurrence International No. 21/86 ne pas ouvrir."

The closing date for receipt of tenders is fixed at four (04) days from the date on which this notice is published.

Tenderers shall be bound by their offers for a period of fifteen (15) days from the closing date.

Clubs

EVE has outlived the others because of a policy of airy sign, not value for more, sucher from 10-3.50 am. Olsos and top musicleurs, glamorous hostesser, exciting floorshows. 189, Regent St., WI. 01-734 0537.

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at Ernst & Whinney

Eight partners have been admitted to the UK practice by ERNST & WHINNEY, All have been appointed to regional offices: Mr Cedric M. Clapp (Bristol, tax); Mr Alan Clarke (Manchester, audit); Mr Richard Cellias (Leicester, insolvency and corporate advisory services); Mr John F. Hobbs (Norwich, audit); Mr P. Collin Lamb (Glasgow/Edinburgh, tax); Mr C. Angus Machennie (Inverness, privately owned business services); Mr W. Scott Martin (Manchester, insolvency services); and Mr Teny I. M. Willis (Newcastle, audit and corporate advisory Mrd White UK Retail company, services). Mr David Glasser has been appointed marketing and develop-ment director of ZODIAC TOYS. He was with Halfords, another Ward White UK Retail company, as development controller.

Mr Tony Ashby has been appointed chairman and chief executive of the aviation and aerospace division of ALEXAN-DER STENHOUSE. The division, formed last month, provides London marketing services for the US and Canadian retail eperations of Alexander & Alexander Inc and Reed Stenhouse as well as for international space and satellite clients. The board of the division comprises Mr Ashby, Mr Arthur Elson, Mr Derek Woods, Mr Ken Webb and Mr Ken Coombes.

Mr Richard J. Grievson has been appointed group managing director of MARIVALE MOORE.

Mr C van Rijn has been elected chairman, and Mr L. F. Barr Smith, a former senior partner of Jones Lang Wootton has been appointed a director of HASLE-MERE ESTAE'S. Mr R. Victor Wood, a non-executive director, has resigned.

MANN & CO, a subsidiary of Hambros Countrywide, has appointed Mr Reger Coupe as regional director (south). He was an area director. Miss Vivienne Cariton bas joined the board of LEADEN-HALL ASSOCIATES, she also becomes the firm's compliance officer for all dealings with the Stock Exchange. Leadenhall pioneered the "secure" system for the electronic transmission of price-sensitive information to the City. Miss Cariton joins from Namemakers where she was a director. THE POST OFFICE has appionted Mr John Handby as director of information technology. He was head of business efficiency services with the Department of Environment and Transport, looking after the strategic planning and provision of information technology and other management services.

Mr David A. C. Douglas-Home has been arminan of HORGAN GRENFELL (SCOT-LAND), He joined Morgan Grentive of the engine division.

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Notice of Prepayment

THE TOYO TRUST AND **BANKING COMPANY LIMITED** (Incorporated with limited Eability in Japan)

U.S. \$10,000,000

Redeemable Negotiable Floating Rate Dollar Certificate of Deposit No. 00001 to 000015 issued on 7th October, 1982, Maturity 9th October, 1987, Callable on 9th October, 1986

Catable on the Cotober, 1986

Notice is hereby given in accordance with the conditions of the above Certificates of Deposit ("the Certificates") as printed on the reverse of the Certificates that the Toyo Trust and Banking Company, Limited (the Bank') will prepay all the outstanding Certificates on 9th October, 1986, (the "Redemption Date") at their principal amount.

Payment of the principal amount, together with accrued interest to the Redemption Date, will be made on the Redemption Date against presentation and surrender of the Certificates at the London Branch of the Bank.

interest will cease to accrue on the Certificates on the Redemption

Bucklersbury House, 5th Floor, 83 Cannon Street, London ECAN SAJ.

22nd September, 1986

Financial Times Conferences

THE FT CITY FINANCIAL SERIES

London - October 23 and 24, 1986 London — October 23 and 24, 1986

The Financial Times Conference Organisation is arranging four special seminars to coincide with the International Financial Services and Technology '86 exhibition at the Barbican. Using Technology for Profit and Marketing for Superiority are the themes for the first day and the Prospects for Building Societies and Security and Prevention of Fraud form the agenda for the second. The series can be taken as a whole or a choice made from among the various parts. There has been substantial interest in this special series as the Building Societies morning is already heavily subscribed. Clive Biztchford, formerly of Chase Manhattan and now of STC/ICL completes the panel of the security seminar.

EUROPEAN BUSINESS FORUM— ITALY AND THE INTERNATIONAL **ECONOMY**

Rome - November 10 and 11, 1986 Possibly the most distinguished panel of speakers the FT has ever assembled comes together in Rome on November 10 and 11 to participate in this important forum. Italy, European political, economic and business questiens and issues affecting Europe and the United States form the agenda. Mr Walter Mondale, Dr Glovanni Agnelli, Ing Carlo De Benedetti, Mr C. J. van der Klugt, Professor Dr Ralph Dahrendorf and Dottoressa Marisa Bellisario are among the contributors. The Rt Hon Denis Healey, MP, and Dr Guido Carli will chair this topical two-day meeting which is co-sponsored by L'Espresso and La Repubblica.

WORLD BANKING

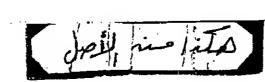
London - December 9, 10 and 11, 1986

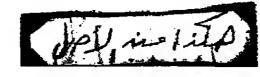
London — December 9, 10 and 11, 1986

This year's conference in this long-running and successful series has an investment banking dsy chaired and opened by Mr Stanislas Yassukovich and a commercial banking day with Mr John Smith, MP, Opposition Trads Spokesman among the speakers. A third day devoted to the management of change in financial institutions is being prepared in conjunction with the consultants Booz Allen who bave contributed a number of thoughtful pages to FT financial cooferences. Three bankers who bave been successful in bandling change in their institutions will also contribute. Delegates can attend for all three days or make a selection if they prefer,

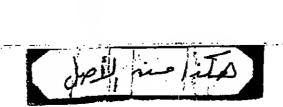
All enquiries should be addressed to: The Financial Times Conference Organisation Minster House, Arthur Street London EC4R 9AX Tel: 01-621 1355 (24-hour answering service)

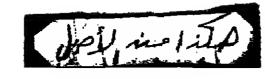
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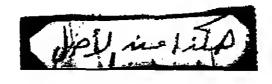
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INSURANCE, OVERSEAS & MONEY FUNDS

INSURANCE, OVERS Financial Times Monday September 22 1986 | 1995 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 | 2018 |

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CONSTRUCTION CONTRACTS

RENOWN INCORPORATED

On the 17th September, 1986 the Board of Directors of Renown Incorporated met and approved the following Report: SEMI-ANNUAL BUSINESS RESULTS

(Unaudited and on	consolidated	basis)	
For	the six months	ended 30th June 1986	
	Millions	Of Yea	
Net Sales	110,336	109,845	
Cost of Sales	70,587 ·	70,630	
Gross profit	39,749	39,215	
Selfing general and			
administrative expenses	35,899	36,612	
Operating Income	4,050	2,603	
Non-operating income:			
Interest income	2,262	3,085	
Other income	1,553	1,291	
	3,815	4,376	
Non-operating expenses:			
Interest expenses	831	1,082	
interest on bonds and			
notes	442 621	324 916	
Other expenses			
	1,894	2,822	
Income before income			
texes	5,971	4,657	
Income taxes	2,991	2,242	
Equity in earnings of associated companies	598	770	
Net income	3,578	3,185	
	Ye	n	
Fernings per chore	22 92	12 58	

Note: No interim dividend is declared and paid for the current sen

McAlpine builds roof over nuclear pond

SIR ROBERT MCALPINE & less steel roof trusses. The walls SONS has been awarded a £6.3m and roof will be lined with stain-contract by British Nuclear Fuels less steel to provide a maintento erect a covered structure over ance-free surface over the pond. an existing storage pond at Sella-field. The 35 metre high roof, roof trusses will have the longest covering an area of 100 metres x span so far installed in the UK. 42 metres, will be supported on work, due for completion in carbon steel columns with stain-

Scunthorpe hospital scheme

CLUGSTON CONSTRUCTION ston and Young Austen & Young has successfully tendered for has produced a £2m order from for several building contracts the West Midland Regional culminating in orders toalling £6.3m. Largest is a £2.7m accident and emergency department which forms Phase B of the General Hospital. Further build-Scunthorpe District General Hospital
Renovating US school building

TAYLOR WOODROW CONSTRUCTION CORPORATION,
New York, has been awarded a contract worth \$7.2m (£4.8m) by the Town of Carlisle, Massachusetts, for work on its teaching facility. The contract comprises building extensions and renovations. Work has started for completion by December 1987.

BALFOUR BEATTY CON-STRUCTION has been awarded a 2790,000 contract by Norsk Hydro Fertilizers for construc-

£150m glass pyramid in City

Wates, City of London Properties, and Wimpey Property Holdings, are planning to build a £150m eight-storey glass pyramid over London Wall in the City covering the area from Moorgate Tube Station to the Guildhall.

The pyramid—which will offer 500,000 sq ft of office space on a after the City's planners, search-ing for large spaces to offer financial institutions for trading floors in the wake of the Big Bang, spotted the empty acres of London Wall and decided

London Wall, by the Barbi-can, is a post-war planners dream that has faded: high-level dream that has raded; high-level pedestrian walkways above a four-lane urban motorway be-tween rows of obsolete slab-sided office blocks surrounded by empty concrete spaces dotted with small, jazzily geometrical

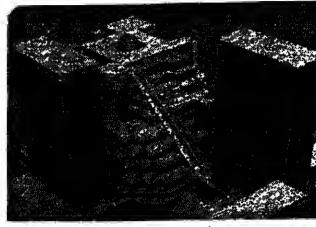
But the fading dream is ebout to become what Mr Rodney Clutton, Wates City develop-ment director, describes as the

Though the office blocks need modernising for electronic technology and many of the jazzy shops are peeling and empty, the windswept concrete spaces in between offer some of the last large building sites in

Wates and Wimpey plan to build their pyramid — to be called City Plaza—on the empty

British Motor Show (trade only 15-17) (01-235 7000) NEC, Birmingham

October 17-19



Hotel to be built at **Maidstone**

Monk,

build to last

Monk

A. Monit & Company, p.l.c., 20, Box 45, nington, Cheshire WAI 478, Televisian

Architect's medel of proposed City Plans glass pyramid at London Wall

concrete podium between two London Wall office blocks they already own — Wates' 21-storey owned sister St Alphage House.

The site will be completed by bridging the London Wall motorway and by demolishing a seven-storey 1960s telephone exchange, owned by the Post Office and Postel, which are supporting the scheme.

I VIZILISLOICE

With the award of a £8.75m contract for a 120-bed hotel and country club at Maidstone, JT DESIGN BUILD has projects underway in the south and southeast of England worth a total of almost £20m. Work has started at the 125-acre Tudor House site at Bearsted near Maidstone on a hotel for Country Club Hotels which, like most hotels in the group, will have a championahip golf course and a range of sports and leisure facilities including an indoor swimming pool, sauna, solarium, aquash courts and a smooker room. The hotel will also have conference and function facilities.

The London Wall motorway supporting the scheme.

a seven-storey 1960s telephone exchange, owned by the Post Office and Postel, which are supporting the scheme.

The new building will have eight office floors stepped back to give what the architects Whinney Mackay-Lewis describe as the effect of an Aztec pyramid," with a bank of lifts encased in glass tubes running up the outside at an angle of 45 degrees.

The London Wall motorway will be crossed by a network of latticed steel beams six metres high and 29 metres to supply and fit roofing for long, carrying the weight of the pyramid above at a load of long carrying the weight of London City Airport STOLport now rising from the site of the walk through these huge beam six metres high and 29 metres to supply and fit roofing for London City Airport STOLport now rising from the site of the walk through these huge beam spaces, and to wander between them into a network of small shops,

This announcement appears as a matter of record only.

\$500,000,000



BANCO CENTRAL

North American Capital Corporation a wholly owned subsidiary of Banco Central, S.A., Madrid

Commercial Paper Program

The undersigned acted as advisor in the establishment of this program and has been appointed as a dealer.



The First Boston Corporation

BUSINESSMAN'S DIARY UK TRABE FAIRS AND EXHIBITIONS

Netional Franchise Exhibition '86 (01-727 1929) Kensington Exha Centre Int Broadcasting Convention and Exhibition (01-240 1871) (until September 23) ion (01-240 1871) (ber 23)
ber 23)
Met Erba Hall, Brighton October 15-17
National Aid for the Disabled Exhibition (0892 44027)
Alexandra Palace

September 21.23 Int Garden and Leisure Exhibi-tion—GLEE (01.930 2211) NEC, Birmingham

September 23-25 Semiconductor International Ex-hibition (01-891 5051) NEC, Birmingham

International Financial Services and Technology Exhibition (01-940 6065) Barblean Centre October 21-24 September 28-30 British Footwear Fair (01-739 2071) Olympia

October 1-2 The Showman's Show (04968 22184) Crambeld Space Centre

International Rail, Road, Sea and Air Transportation Exhibition (01-968 4567) Gazagahou

International Machine Tool Trade Fair — INTERTOOL (01-977 4551) Vienna

International Property and Time-sharing Exhibition (01-387 7878). Comberland Hotel, W1 International Wine and Spirits Show (0494 775444) Montreal

International Office Trade Fair— ORGATECHNIK (01-980 7251) Cologue

OVERSEAS TRADE FAIRS BUSINESS AND MANAGEMENT CONFERENCES

Carrent

International Engineering Fair
(021-455 9600) (until September pharmaceutical conference (0124)

Brae

September 22-25

Pharmaceutical Society: British September 26

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September 25-24
FT Conference: Pacific Basin International

Fibex: "Acquisition Monthly" Coopers & Lybrand: The impli-conference on bow to buy and sell companies (01-821 5555) churchill Hotel, W1 Reform Act 1986 (01-831 2858)

September 24-25
Euromoney two-day seminar:
(1) Options—a risky business? Royal Institute of Navigation:
(2) Hedging can be fun (01-236 Worldwide Navigation into the 2288)

Registron Metropole

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

DIVIDEND & INTEREST PAYMENTS-

CYCACYCACYCACYCACYCAC

Thomas De La Rue **Bearer Securities**

NewAddress from Monday, September 29 6-8 Fenchurch Buildings **London EC3M 5HR**

Telephone: 01-480 7130 Telex: 9413136 Facsimile: 01-481 4363



Kingdom of Sweden U.S. \$250,000,000

7 per cent. Bonds due 1991

Issue Price 1001/2 per cent.

ng have agreed to subscribe or procure subscribers for the above Bonds:

Swiss Bank Corporation International Limited

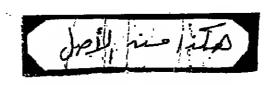
Bankers Trust International Limite

Bank of Tokyo International Limited Banque Nationale de Paris lorgan Greniel & Co. Limit Morgan Stanley Inte Orion Royal Bank Limite omon Brothers international Limit

Application has been made for the 7 per cent. Bonds due 1991 to be admitted to the Official Liet by the Council of The Stock Exchange, subject only to the Issue of the temporary Globel Bond.

Interest is payeble annually in areas on 7th October, the first payment being made on 7th October, 1987.

Full perioders of the Bonds are available in the Extel Statistical Service and may be obtained during usual business tours (Saturdays excepted) up to and including 24th September, 1996 from the Company Announcements Office of The Stock Exchange and up to and including 3rd October, 1996 from:



WORLD STOCK MARKETS

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FOREIGN EXCHANGE

D-Mark hits dollar and pound

38

THE DOLLAR and sterling £ IN NEW YORK came under pressure last week, but officials in Washington and London probably took entirely different views of the situation. While members of the US the dollar down, the Bank of England was trying to convince nervous financial markets thet bank base rates were not about

bank base rates were not about to rise.

This month's meeting of the Group of Five — the Financo Ministers from the US, UK, France, Japan and West Germany — in Washington is likely to be much less harmonious than the meeting this time last year in New York. At that time it was agreed the dollar was too strong and would have to be devalued. As a move to correct the very large US trads deficit, the fall of the dollar from DM 2.90 to less than DM 2.00 and from Y240 to just obove Y150, has so far been singularly unsuccessful. The July deficit was e record \$18.04bn, compared with \$11.59bn the sams tima last year.

year.
West Germany and Japan have been asked in fairly strong terms to help reverse the situation by cutting interest rates and stimulating economic growth. But so far both countries have been equally forceful in refusing. It almost seems a daily ritual for Mr Satoshi Sumita, governor of the Benk

CURRENCY MOVEMENTS OTHER CURRENCIES

POUND SPOT-FORWARD AGAINST POUND

Close One month

1.4755-1.4765 0.48-0.45c pm

3.20480-2.0008 0.07c dis-per
3.313-3.323, 13-3.223, 13-13c pm

1.10760-1.070 0.06-0.14c dis2.032-2.032 pm-2-14c dis2.032-2.033 pm-3 lire dis2.042-2.253, 23-13-13-10 pm

for convertible leanus. Finance

FORWARD RATES AGAINST STERLING 1,4713 2,9272 9,6177 2,3666 223,86 1.4606

EMS EUROPEAN CURRENCY UNIT RATES

±1.5368 ±1.8403 ±1.1127 ±1.3659 ±1.5058 ±1.6683 ±4.0734

\$1,4750-1,4760|\$1,4750-1,4760 0,47-0,460m| 0,47-0,462th 1,49-1,47pm| 1,49-1,472m 5,66-5,55pm| 5,65-5,55pm

to the US dollar

intention of easing monetary policy.

Last week Mr Karl Otto Poehl, president of the West Garman Bundesbank, made his position clear, by saying he would not cut interest rates, in spite of pressure from the US. It was also noted that the next meeting of the Bundesbank council on Thursday will occur at a tima when Er Poehl is on his way to Washinton, making any change in credit policy extremely unlikely.

On Thursday the dollar fell below DM 2.00 for the first time since January 1981, but remained above Y150, scobably leaving some room for the yen to opreciate against the D-Mark. The reason for the dollar's continued decline was the West German and Japanese attituda towards lower interest rates; a disappointing unchanged revision of 0.6 per cent growth in second quarter US gross national product; and the comment by Mr James Baker, US week Mr Karl Otto

DOLLAR SPOT-FORWARD AGAINST DOLLAR

CURRENCY RATES

UK† Iraland† Canada Nathind. Belgiam Denmark W. Ger.

† UK and Ireland are quoted in US turrency. Forerest pressions and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

71g-77g 7-71g 47g-41t 27g-200 6-61g

(4 pm)

NEW YORK RATES

MONEY MARKETS

Bank acts to calm nerves

STERLING'S FALL to a record low last week, according to the Bank of England's exchange rate index, seems much less likely to result in higher UK bank base rates than when the previous record was touched early last year.

Dealers talk of another sterling crisis, but last time this was based on the pound's weakness against the deliar and this time it reflects the decline against the D-Mark. To aoma extent sterling has been weak, but last week's fall was to a large extent the result of strong demand for the D-Mark, because the West German economy looks strong and the authorities refuse to chance refuelling inflation by

WEEKLY CHANGE IN WORLD INTEREST RATES

based 2 bills 15 to 33 days, 91 days. Roses quoted regre-the money market, in other

MONEY RATES

The second of th

Sept. 12	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	rompa Lomba
Frankfurt	4,55-4.65	4,45-4.55		4.45-4.65		5.5
Paris	710	718-714	718-714	718-714	719-714	7
Zurich	79-114	1 44 4 4	_	43 48	: -	-
Amsterdam	04-013	Direction	j —	64.64		. –
Tokyo	4,40076	4.90030	. –	4,70125	_	-
Milan		100-11	i —	104-114	-	_
PLASTAL SHIPMAN	0.70 25-94	1	100- 10c-	1.0	i	_
Deshille	1 2 28 7 7 7	1 3 IB-TA-8	ITOM TOW	TOM-TO IN) T T TD-T TOB	-

Midland Bank helped restore calm on Friday morning, and as a large supplier of funds preven-ted too sharp a rise in interbank rates. At the same time the Bank of England took out virtually all the underlying credit shortage by buying bills at unchanged rates, in an early round of money

rates, in an early round of money market intervention, reinforcing the present yield structure. BANK OF ENGLAND TREASURY BILL TENDER

£100m £97,59 £100m m level... 100% 71%

FT LONDON INTERBANK FIXING (11.00 a.m. September 19)

LONDON MONEY RATES

Treasury Secretary, that the dol-lar must fall further to reduce the US trade deficit unless mea-sures were taken to promote growth abroad. Previous day's open int LIFFE E/S OPTIONS £25,000 (cents per £1) LONDON SE E/\$ OPTIONS £12,500 (cants per £1) Oct Nov Dec Mar - 1,50 2,20 0.35 0.95 1.45 3.25 1.05 2.40 3.29 5.50 3.50 5.00 5.90 8.40 7.80 8.90 5.85 11.30 - 14.10 16.10 - 18.70 20.20 growth abroad.

Sterling has shown much less movement than most other major currencies this year against the dollar, and the pound remained in line with the dollar last week. This meant a sharp fall against the D-Mark to below DM 3.00 for the first first. LIFTE EURODOLLAR OPTIONS Stra points of 100% Oil prices turned upwards to-wards the end of the week after a mid-week olide, while high North Sea oil production in July was a major factor behind the much larger than expected rise of 3.4 per cent in July in-dustrial production. The market appeared to take more notice of the larger than forecast rise of £1.8bn in the August UK public sector borrowing requirement. Closs 91-24 92-18 91-19 90-19 89-22 88-02 87-42 86-07 85-24 Sept 111-28 — 111-12 — 111-12
Dao 112-00 113-08 111-14 111-15
March 111-24 — 111-08
Settimated volume 77,003 (18,208)
Previous day's open lett. 14,132 (14,224)
Basis quoto (ciese cash price of 18%
Tressury 2004-08 less equivalent price of next butters approach — 4 to de cash price of 18% The main reason for the pound's weakness was that steriing remained in line with the depressed dollar. The exchange rate index of 69.4 on Thursday was the lowest ever, and compares with a previous record low of 70.2 on February 26, 1985, when the pound fell to an all time low of \$1.0525. The reaction then was to put up London interest rates, but a similar move seems much less likely at present, with sterling at \$1.4760. CHICAGO US TREASURY BILLS (IMM) 81m points of 100% **CURRENCY FUTURES**

POUND - \$ (FOREIGN EXCHANGE) **EXCHANGE CROSS RATES**

£ | \$ | DM | YEN | F;Fr. | 0 Fr. | H FL' | Lira! | OS | 0 Fr. 1.476 2.940 284.8 9.580 2.578 5.387 2055 2.060 51.05 1, 1,992 152.4 6.520 1.511 9.851 1377, 1.389 41.36 3,063 253,4 10. 9,469 3,450 9111. 2,129 63,40 1,837 94,53 4,050 1. 1,896 854,9 0,862 25,68 0.301 0.444 0.885 57.64 2.896 0.716 1. 511.7 0.617 0.492 0.736 1.445 110.6 4.738 1.170 1.635 1000 1.009

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EUROPEAN COAL AND STEEL COMMUNITY £20,000,000 131/2% BONDS 1988 NOTICE 6 HERBY GIVEN that parament to Condition 4(b) of the Bonds, Suropean Coal and Seed Community has elected to redeem on October 23, 1986 (the "Redemption Date") all of its

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FINANCIAL TIMES SURVEY

Computer Software and Services

The current slowdown in the multi-million dollar computer software industry is only temporary. according to analysts. They point out that it still remains one of the healthiest and most vibrant of today's business sectors.

A market in transition

THE ICONOCLASTS of "The computer software and the computing services business have had a old. In that time, it has evolved year of field days as one accepted belief after the into a highly sophisticated mulator industry," he are considered to the into a highly sophisticated mulator industry, he are considered to the constant of the computer software and the constant industry is 25 years old. In that time, it has evolved the constant of the computer software and the computer software soft another has proved false. The ribidity of the packaged software shelpess, hitherto seem of love with this industry in the sax the soundest of markets. Shivered and flattened out. North American software executives at the fifth world computing services industry congress explains the support of 1981 to the explaint of 1983 to the reality last year were describing the change as "the industry slow

• For the first time, a European software house, the French com-pany CAP-Gemini-Sogeti, showed it could hold its own in the US with the hig US services

VestB

Sold Asses

 The Japanese software industry gathered momentum, giving the lie to the idea that the Japanese as a race are not up to writing high quality soft-ware. They have been hampered by leck of computer terminals able to handle Japanese characters and by experience in international soft-

absorb microcomputer software products has been demolished. Curt Monash of the New York ockbroker Paine Webber set

By ALAN CANE

of 1985: slowing growth rates, earnings disappointments and even company bankruptcies, but still one of the healthiest and. vibrant

. What makes the computing services business both so complex and so interesting is the variety of kinds of activity it

Japanese characters and by experience in international soft-ware development methods but they are recovering from both these hindrances with remarkable speed.

The notion that customers had an infinite capacity to absorb microcomputer software products has been demolished. activities to the shape of the software rather than the other

With a huge, virtually homo-geneous home market, packaged

US software industry. The leaders include companies like Management Science America (MSA) and McCormack

and Dodge which specialise in corporate financial management

packages.

The dramatic influence the advent of the microcomputer has had on the software industry is illustrated by the fact that the overall leader is now Lotus Development Corporation, less than five years old, which made its name and fortune through the developing and marketing of the first inteand marketing of the first inte-grated spreadsheet package for

ersonal computers.

It is this business which is now slowing. Mr John Ocken-den, president of the UK Com-

"Many of the American soft-"Many of the American soft-ware product companies are in difficulties and further resist-ance to the use of packages is expected in what they are des-cribing as the industry slow-down." The first signs of a similar decline in the growth of the package market is now being defected in Europa being detected in Europe. Nevertheles, according to their own computers to com-input, a US-based market con-panies who perhaps do not want sultancy, the present slowdown to run their own data processing

• Software application in the City: the equities dealing room at stockbrokers Phillips and Drew, where Data General's Hydra financial information management system is installed.

den, president of the UK Computing Services Associetion,
noted recently: "The software
products market is not now fusion among customers spoilt
growing at the high rates it for choice with many packages
experienced in the early 1980s on offer from many vendors,
(from) a comparatively low fears that some highly priced
base and that market is packages are not as reliable as
expected to grow by only 20 they might be and long installaper cent a year in the future.

"Many of the American soft. larger more complex products for choice with many packages slowest growing.

Input says: "As these nega-tive forces wane, the market will continue its healthy

The second field of impor-tance in computing services is the burean business, made up centre, who need extra processing capacity or who want to take advantage of special, soft-wate advantage by the bureaux.

According to Input, the US annually, processing and network services market grew by only 14 per cent in 1985 to reach \$17.3bn.

Input notes: "Components of this market are beginning to experience difficulty in keeping of with the growth of other areas in the information ser-vices industry."

It says the market was aided by growth in four industrial sectors—banking and finance (18 per cent), discrete mannfacturing (17 per cent) medical services (15 per cent) and on-line data beggs.

Conventional processing.

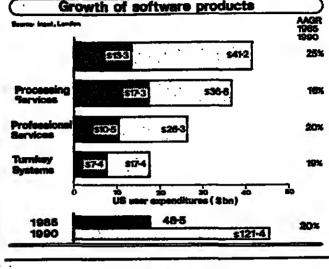
worth \$1.9bn in 1985, will stag-

restricting software product Bureaux processing has always been the strongest element of the computing services methods for entire the processing of the pro grow at an average of 16 per cent to 1990, while the infor-mation services market as a

> In Europe, processing services are expected to grow at only 10 per cent annual average growth to 1990 while integrated sys-tems and professional services may grow at up to 22 per cent annually.

Integrated systems is a third major area of computing services. It includes computer aided design and manufacture, small to medium sized business systems and specialist niche markets. In each of these areas, computing companies screte mann-cent) medical cent) and on-markets, in each of these areas, computing services companies provide hardware and soft-ware as e complete package. Professional services, which can be taken to include cus-

tom-written software is perhaps



IN THIS SURVEY

UK software industry

Turnkey projects Micro-mainframe links

Bespoke packages

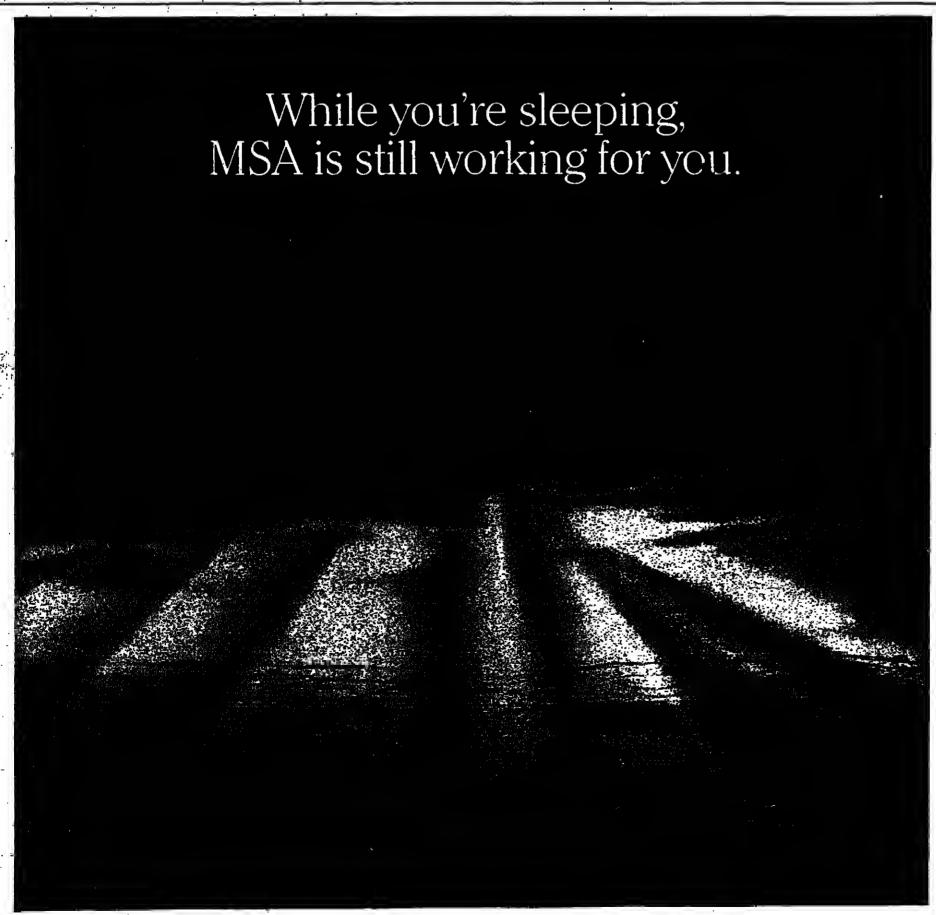
One reason for this is a new determination on the part of commercial companies to have

software written specially for them to give them a particular competitive advantage. To some of these companies, the extra cost of a bespoke pro-gram over a package is of little importance. New techniques are being developed how-ever, to produce programs which give the impression of being custom-written while in fact they are pieced together from already developed pieces from already developed pieces of software.

automatic program generator to develop quickly a version of e full-scale program to test whether it is what the user

pieces of software to antomate particular functions—can be strung together in novel ways sible to develop bespoke soft-ware at little more expense than the cost of e package. There should be no shortage of cusmers. According to the consultancy IDC Europa: "Demand for bespoke software from those users who require specific appli-cations over and above existing products will continue to be strong, and, with a predicted average annual growth rate of 22 per cent, this sector will be

worth approximately \$14.3hn in Europe in 1991." These are methods in European software houses have been becoming expert, while the Americans have concen-trated on mass sales of pack-ages. They are now the Euro-peans' best weapon in their efforts to take on the Americans on their own Travend



ith offices throughout the world. development work at MSA never stops. Around the clock, we are supporting and enhancing our packages to keep them at the forefront of computer technology. In fact, we consistently invest some 20% of our turnover in research and development, compared to an industry average of less than 8%.

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But there's more to MSA than technical excellence! You'll find experienced consultants who have an in-depth knowledge of your industry, a dedicated team of software. engineers to support your systems, and a help-line to answer your queries. As world leader, you'll also find that we have the financial resources to protect your investment in our software packages in the years to come.

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UK Software Industry

Pressure on profits despite buoyancy

THE UK computer software and past several years and, accords says an increased number of services industry is confused. ing to figures from market recompanies have reported a While the overall market it searcher International Data decline in profits. serves continues to show healthy growth, competition both from home and abroad is strong. Furthermore, growth is not uniform, making it hard for companies to decide which areas to invest in,

The industry has expanded quickly, bringing in new companies from many different backgrounds, Hardware manufactures and the companies of the c suppliers and management con-sultants have joined the tradi-tional software "houses" and ureaux in an attempt to grab

bureaux in an attempt to grab a slice of the market. In June of this year, a government-sponsored report from the advisory council for applied research and development (Acard) heavily criticised the UK industry for not being competitive and predicted a vast trade deficit in software by the middle of the 1990s, This report has been the subject of a heated debate about the real state of the industry's health, with many leading software companies rejecting its conclues rejecting its conclu-

The UK software and services industry has growth by companies in its report on over 20 per cent a year for the quarterly trends and Eyeions

Sub-total

Corporation (IDC), grew by 23 per cent in 1985. IDC values the 1985 market at L2,041m. In the tenth annual survey of computer services in Europe, e report sponsored by the European computer services association and published at the same time as the Acard report.

Doug Eyelons of the UK Computer Services

the survey, forecasts continued growth in the industry at about 20 per cent a year. The CSA speaks for the broad

software developers such as Logica and CAP and product suppliers such as management science of America and Micro

"The industry is still very buoyant. But there is evidence of a pressure on profits," says Mr Eyelons.

UK-software and services Market values, 1985 • Packaged Software Hardware manufacturers System houses Independent venders .. Conton Software/Congultance

Local batch

Remote problem solving

Remote autotransaction 2,620 2,641 \$ Exchange rate = 0.779

puter Services Association (CSA), which participated in

range of companies that fall under the heading "software and services" in the UK. This includes large-scale computer network suppliers such as IBM and ADP. It includes consultants like Arthur Andersen,

"In the first quarter of this year the figures was 22 per cent, while the second quarter shows 35 per cent. There could be a seasonal factor to take into account. Nevertheless, it is a high figure," says Mr Eyelons. high figure," says Mr Eyelons.

He argues that, given the continuing increase in revenues, this is not necessarily a sign of ill-health. Reduced profits could merely be a result of expansion. The industry has been active both in terms of acquisitions and in raising capital through share offerings in the last year. Mr Eyelons also points out that two-thirds of the UK service industry is still reporting increased profit

profit are likely to be working a profit are likely to be working in specific areas such as consultancy services or value-added networks. The market for the more identifiable produce of the software industry, the software package, is showing signs of slowing down.

still reporting increased profit

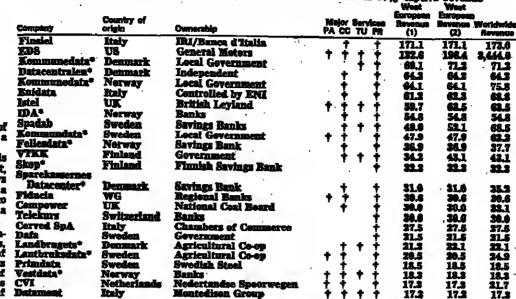
Mr Eyelons says that the soft-ware package market is still growing, but not at the rate it was in 1983-84.

The result is that some package producers have moved towards providing services with their products. This has long been the style of software com-panies supplying the mainframe and minicomputer market, Now it is spreading to the personal

Both Lotus and Ashion-Tate have recently beefed up their have recently beered up their customer support services and at the same time have introduced separate charges for support. Others have followed. This is liable to lead to even greater confusion in the services market, as package companies begin to compete with traditional service suppliers.

"It is a very confusing pic-ture at the moment," says Mr Jeff Unwin, managing director of Hoskyns, one of the largest established services suppliers in the UK and, like many software companies, US-owned. Hoskyns.

Leading computing services companies in Europe



Note: Revenue (1) excludes hardware related revenues, including these derived from turnkey activities. Revenue (2) includes turnkey hardware elements. The worldwide revenue figure represents actual revenues, with nothing excluded.

than the 23 per cent last year." he goes on. Mr Unwin says that the crisis that has hit the hardware manufacturers will hit the software and services sector in

software and services sector in the next year. He points to IBM's and DEC's recent actions as examples of companies facing up to the squeeze.
"IBM is retiring people early for the first time for years. And earlier this year, DEC slashed its discounts to original equip-ment manufacturera." ment manufacturers."

Mr Unwin suggests that much of the confusion in the UK software and services industry is the result of the structural changes that have taken place since the beginning of the 1960s.

The cost of supporting a system with software and recopled tem with software and people has grown more important as hardware prices have fallen. It is now common for software and services to cost as much if not

services to cost as much if not more than the hardware it is to work with.

The falling price of hardware has also reduced the hardware manufacturer's profit margins. They are increasingly looking to the software and services sector for revenues. This has led to hardware manufacturers const. hardware manufacturers court-ing software companies to build software. It has also caused hardware suppliers to take softcompanies, US-owned. Hoskyns. ware much more seriously. The is a subsidiary of Martin US telecommunications giant Marietta.

"I think the market will grow the computer business on its but at about 20 per cent, rather networking services and its

Unix software.
"The name of the game is to provide solutions to user's prob-lems," says Mr Eyeions. "The successful software company

must be part of a problem-solv-ing package."

Datasolve, the services subsidiary of Thorn-EMI, has just completed a radical restructuring to do just this. Mr Paul Wyman of Datasolve says that service companies must be able to offer a broad-based service. "We went out into the soft-ware market and bought up the best packages we could find. We now offer them to our customers through our networking ser-vices with support to tailor them to fit the user," he explains.

"The market is asking for

"The market is asking, for more features in software and users are seeing the outside bureau as an option again."

Datasolve's background has been in providing computer time-sharing services. Now it too has entered the software market and is selling its service on the back of established software products from both within and outside the Thorn-EMI. and outside the Thorn-EMI

Mr Unwin of Hoskyns echoes Wyman's view about broad-based service, "Users are being forced to buy more and more software and services from out-side their companies because of the shortage of skilled soft-

have a broad base to meet the demands of this market." He notes that one large sec-tor of the market is under is losing many of its best people to lucrative jobs in industry. This, in turn, is forcing the Government to buy skill in from the private services sector, he

the private services sector, he says.

Mr Eyeions adds that the CSA is lobbying hard to increase this trend on the grounds that it fits in with current Government strategy to push more services into the private sector. The CSA has suggested that data processing services should be added to a list of services that should move into the private sector in the current green paper on local government. The legislation will come into effect next year.

legislation will come into effect next year.

"There were five categories of service in the eriginal paper, including cleaning, maintenance and catering services. We have asked them to add data processing," says Mr Eyeions.

This could mean a bonama for the industry as government turns to private industry for software and services. It will bring the UK into line with bring the UK into line with most other western countries, which have had healthy software and services industries indirectly supported by their governments for years.

U.S. Market

Sales back on track

WHILE THE US computer industry seems to be mired in a prolonged slump linked to a downturn in capital spending, the computer services and software sectors are generally healthy and in some cases are enjoying unprecedented growth. The professional - services

The professional - services husiness, long considered the least glamorous part of the computer industry, has suddenly attained a new prominence. The \$10.5bm industry that provides advice to computer buyers on which systems to buy and how to configure them is expected to grow at 20 per cent per year until 1890, becoming one of the fastest growth sectors of the camputer industry.

the computer industry.

US software sales, which slowed last year, will move back on track with 28 per cent growth to reach \$17bm this year, US analysts predict.

How can software and services sales boom while hardware sales are slumping? The explanation, according to industry analysts, is simple. Computer mers are seeking computer "solutions," rather than simply buying more "boxes." Business-users of computers — whether mainframes, minis, or personal computers, are trying to figure out how to use their computers more efficiently, how best to network computers and how to find computer solutions to new business problems.

computer saturous to new sus-mess problems.

Computer users are going through a period of re-assessment, suggests Mr John Scul-ley, president of Apple Computer, the company that is particularly prominent in the

particularly pronument in the personal computer sector.

"In the contacts we've been making with business, we find more and more companies are reaching some critical mass with their personal computers. They are town saving." We've They are now saying, 'We've made all this investment over made all this investment over the past two to three years, what are we getting from it? We see the alowness in the computer industry being driven by a general re-assess-ment about the value of the personal computer and how it fits into business," he says. The problems of the busisented a major new oppor-tunity to professional services previders. Computer sciences, one of the largest computer services companies in the US. is on the verge of explosive growth, according to US analysts. After four years of flat earnings, CSC will earn \$30m on sales of about \$11m in fiscal 1986, up from \$24m income an \$838m revenues in

the past fiscal year, analysts predict. The growth in computer services has persuaded major hardware and software companies to expand their opera-tions in this sector. IBM has become particularly active in the services field, reorganising its customer services opera-tions to include systems integration and software sales needed to provide "turnkey"

The US software industry has not been immune to the computer slump, as sales growth slowed significantly inst year from 35 per cent anomally to 20 per cent in 1935 but the US software market is getting back on track purposes any Soles will track, analysts say. Sales will climb 28 per cent from \$13bn to \$17bn by the end of the

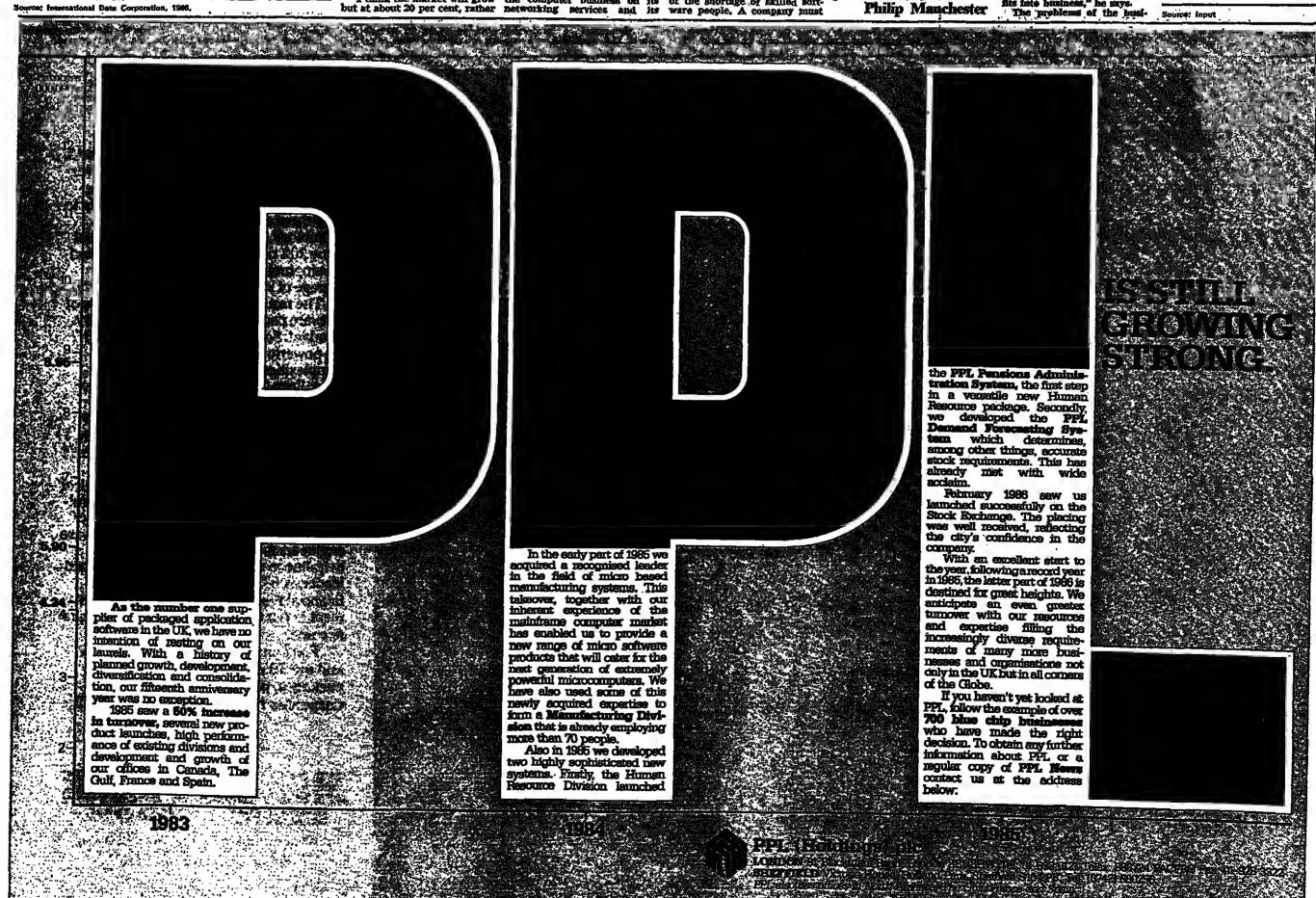
year, they say. The software market will be in software this year, according to International Date Corp, a US market research firm.

Louise Kehoe

US professional services market

Ten largest companies' world wide revenues in \$m, 1985:

1BM 1,200
Computer Sciences 665 Burroughs
Arthur Andersen
Electronic Data Systems
Peat Marwick Mitchell ... Berroughs Planning Research Cap Gemint America ...



Computer Software 3

European software and se	Prices	market
PACKAGED SOFTWARE	\$20, 1985	% share, 1963
Hardware manufacturers	2,892	18
System houses	858	. 6
Independent venders	1,538	10
Sub-total	5,198	34
CUSTOM SOFTWARE/CONSULTANCY		
Hardware manufacturers	621	4 '
System houses	1.015	7
Incependent vendors	2.816	18
Sub-total	4.453	29
PRAINING	673	. 4
PROCESSING SERVICES		_
Local batch	1.493	10
Remete problem solving	1.428	9
Remote autotransaction	1,942	13
Sub-total	4,864	32
FACILITIES MANAGEMENT	172	1
POTAL	15.360	166
Source: International Data Corporation, 1986.	Luyeuu	100

The \$32bn information services market

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TALLA TEM

Japan's Software Industry

Shortage of programmers

JAPAN'S Ministry of Inter ment, mindful of the embarras-national Trade and Industry sing 1981 IBM/Hitachi patent (MITI) is to launch an \$8.7m intringement case is arrious for

(MITT) is to launch an £8.7m (Y2bn) research effort this year aimed at producing a software system for use in training computer programmers.

The project is given urgency by recent MITT predictions that Japan will experience a shortfall of 600,000 software specialists by the end of 1990. The number of software engineers and programmers required is corrently, growing by 26. per eight. major semiconductor firms, and Tokyo University increasing by around 13. to 17 researchers, to develop an and programmers required is currently growing by 26 per cent-annually, while supply is increasing by around 13 to 17

per cent. The programmer shortage is a key difficulty for Japan's makers. industry, but other uncertain-ties include the promise of AT&T's UNIX as a possible

programmer examinations was a dismal 15 per cent.

There are around 150 computer schools across Japan with an intake of around 45,000 students per year, a capacity well short of overall requirements.

Characteristics

Japan's software industry is characterised by its heavy dependence upon the whims of a range of individual computer resultant party whose source. a range of individual computer manufacturers, whose equipment is generally incompatible. This has resulted in a preponderance of customised software development, and is one factor behind the typically small scale of software husiness in Japan.

ware development, and is one factor behind the typically small scale of software business in Japan.

Although MITT's 1986 industry survey covers 2,556 independent software companies, industry sources estimate this to equal enly a third of the total number of companies considered to be information service industries. These companies are usually too small to make a measurable impact on industry trends.

Japanese users have in the past seen the provision of customised software by computer manufacturers as the expected inducement in hard-

customised software by computer manufacturers as the
expected inducement in hardware purchases, but the programmer shortage is now necessitating a switch to package
software as a means, to meet

ments.

Another trend is towards the
establishment of offshore software-writing subsidiaries in
neighbouring Asian countries,
enabling cost saving in a very
software as a means, to meet ware purchases, but the programmer shortage is now necessitating a switch to package software as a means to meet data processing deadlines. This trend has been supported by the increasing acceptance of MS DOS in the personal computer environment.

Soft Rank for example one

Soft Bank, for example, one of Japan's largest package vendors, expects sales to rise 36 per cent this year to £64.4m (Y14.8bn).

Seftware compatibility remains far away however in the IBM-dominated mainframe market. The Japanese govern-

researchers, to develop an independent operating system

The projects have generated both optimism and uncertainty afternative to Louis operations of Mr Kiyoski Tamura, develop-systems, the shift towards dis-tributed data processing and its attendant boost to the soft-ware package market and the increasing influence of the VAN knows whether it will work out,

system now under development will cover all aspects of computer programming and enable students to work independent of instructors.

MITI is also to look into the development of standardised curriculums for software studies. No such curriculums for software studies. No such curriculums rate last year among computer school students taking state a dismal 15 per cent.

There are around 150 computer schools across Japan with an intake of around 45,000 students per year, a different vendors.

The VAN services sector is however an investment-intensive field, and although at least 10 of the leading software service firms are participating, the majority of companies are continuing to operate along conventional lines.

Mr Tamura says that "while software development still shows a healthly growth rate it is easier for small firms to stay in their old-fashioned type of business."

report, the Japan Economic Research Institute noted that

Japan aiready lags far behind the US in the use and standardi-sation of databases.

The institute recommended (Y14.8bn).

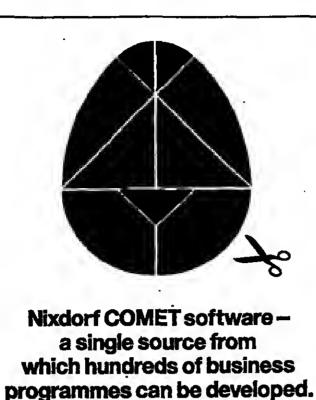
It believes that business packages now account for 65 per cent of the market, a dramatic rise from the 34 per cent figure of early 1964, when game softwares predominated.

So firm and communication or databases.

The institute recommended that increased standardisation of data communication protocols and the relaxations compared to the relaxation of the rela

Roy Garner

The magic of Nixdorf COMET software





The ancient Chinese invented an legg-shaped puzzle that - with a little ingenuity-can be turned into hundreds of very different birds.

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COMET is also perfect for international companies because it speaks many languages and handles many different currencies.

tt helps businessmen to be more creative, more productive because it'sso adaptable.

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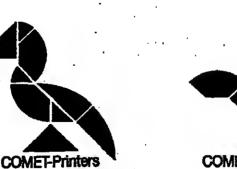
COMET-Warehousing

COMET-Meat Wholesalers

COMET-Publishing

COMET-Construction Industry

COMET-Forwarders





COMETFT:mber Industry

COMET-Beverage Industry

COMET-Project Management

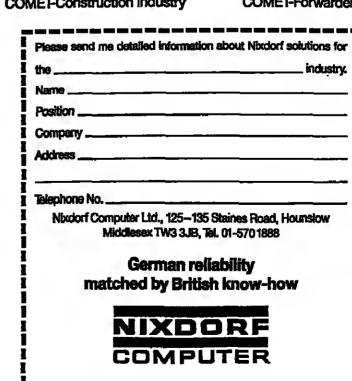


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Market growth of computer services				
				1984-85
Country	1984 (\$11)	1985 (\$m)	growth	dellar devaluation
Belgium Denmark Finland	445 426 316	534 494 377	26 18 19	6.966 6.964
France	2,841 2,349 8	2,768 10	20 22 25	0.967 0.961 0.816
Ireland Italy Netherlands	81 1,286 777	10I 1,582 948	23 24 22	0.978 0.915 0.959
Nerway	373 34 353	428 42 444	17 26 26	0.945 0.862 0.944
Sweden Switzerland	564 564 11	674 611 13	20 21 24	0.957 0.950 0.006
Apriria	2,128 239	2,639 293	· 23 23	0.958 0.961
EUROPE The 1984 market date has been allow growth comparisons.	12,629 n restated	15,300 et the 1905	32 dollar enti	hange rate tr



The international financial sector demands increasingly sophisticated software systems: above: part of the foreign dealing room at Morgan Guaranty, London

French Software Companies

Setting the pace in Europe

FRENCH SOFTWARE com--inancial expertise as well as in panies are starting to come out their basic trade of computer Europe.

of their shell. The largest com- know-how- Mr Serge Kampf. or their shell. The largest com-panies in Europe in their sector, the cluster of high-performing French groups in computer ser-vices are now advancing to the forefront of high technology used increasingly in everyday

Many of the companies —
Societies de Service et
d'Ingenieurie Informatique or
SSIIs — were founded in the
1950s and 1960s, often as spinoffs or subsidiaries of large corporations. For years they remained relatively discreet. But now the teams of highly motivated engineers at their helm are making a name for themselves in marketing and

The best-known ex the growing aggressiveness of French SSIIs is Cap Gemini French SSIIs is Cap Gemini
Sogeti, the European leader in
this field (excinding the software operations of IBM). At the
heginning of this year it took
the landmark step of expanding
deep into US territory by taking
over the consultancy division of
CGA Computer Inc.
Bidding to confirm itself as
the only member of the Euro-

the only member of the European software community to break successfully into the US, Cap Gemini now makes one-third of its annual FFr Sbn turnover from American operations, with the rest split evenly

Mr Serge Kampf, the chairman, who has firmly underlined he intends to keep majority sharehelding control in spite of the group's stock market launch last year, during the summer unveiled plans to raise FFr lbn in new cash on the Paris bourse to back further acquisitions.

Cap Gemini Sogeti has been the biggest but not the only suc-cessful software introduction on to the unlisted stock markets in

to the unlisted stock markets in Paris and on provincial bourses. Nearly a dozen software groups are now quoted — a symbol of the boom in the French capital markets over the past few years — with a number of smaller entrepreneurial companies going public to line up alongside the larger ones.

CEGID. a young Lyons based

atongside the larger ones.

CEGID, a young Lyons based andtware group which claims to have the highest profits/sales ratio of any French SSU, made a much remarked entry on to the "second marche" or unlisted market in Lyons in June and harderest the constitution of the second marches and profit of the second market in Lyons in June and harderest the second market in the second market i and has signed up a promotional accord with Alain Prost, the champion French Formula One

The company, specialising in the development of information technology packages for small and medium sized companies, expect to boost turnover to over FFr 130m this year from only FFr 4m in 1983.

FFr 4m in 1983.
At the other end of the age scale, Compagnie Generale d'Informatique, the French leader in developing multi user software packages for industry, which was founded 35 years ago, cretion this summer to make a 400-times oversubscribed entry on to the second marche in Paris.

Mr Robert Mallet, the founder and chairman, says the flotation was necessary to adapt the FFr 560m turnover company to the faster pace of change in the information technology world.

Many French software groups owe at least part of their growth to government financed beaballers.

technology programmest manned ing from weapons development and the space and nuclear pro-grammes to the national Mini-tel videotex system. Cap Gemini Sogeti, as well as SESA, part of the Compagnie Generale d'Electricité room and Sterie

part of the Compagnie Generale d'Electricite group, and Steria, whose main shareholder is Credit Lyonnais, have all developed expertise as part of the French videotex drive.

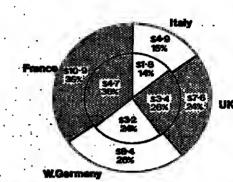
Now the time has come, however, to turn away from excessive reliance on any form of state patronage. Mr Mallet of CGI believes that, after the initial impetus given to French information technology in the 1960s and 1970s through government projects, the industry has now attained a momentum of its own.

has now attained a momentum of its own.

"Computers have become part of the collective mentality," he says. "Companies are starting to think of their computer systems as part of their patrimony. Working out ways of improving these systems thus becomes integrated into their overall strategies."

Mr Mallet has backed up his bid to go for corporate users by driving full tilt into the competitive US market with CGI's top selling Pachase software package, designed for programming applications across a range of industrial and commercial computer systems.

(France : largest information services sector in Europe



As a further sign of the re-treat from reliance on govern-ment contracts, Sema-Metra, a ment contracts, Sema-Metra, a software company set up by the Paribas group in 1959, is bidding to develop a network for value-added information technology services, in association with IRM to profit from progressive deregulation of French telecommunications.

It is competing with another consortium formed by the Suez financial group with Olivetti of Italy and Telesystemes, the software subsidiary of the Direction Generale des Telecommunications, the French telecommunications authority.

estions authority.

Mr Pierre Bonelli, the ex Texas Instruments manager who took over as Texas Instruments

SESA is another group which has enlarged its horizons beyond its original close ties with the

its original close ties with the French government.

SESA, set up in 1964 by Jacques Stern, the present head of the state-owned Bull computer group, based its early growth on development of the Transpac nationwide packet-switching system. This handles nationwide data traffic for business and individual subscribers (including the surging traffic in videotex communications over the Minitel network).

Turnkey systems

SESA is another group which Franch software houses in that 75 per cent of its business is in building turnkey systems such as a command and communications network for the Franch tactical air force based in Meta, eastern France and a fire-central system for France's short range Fluton nuclear missiles.

Domestic orders have how-

Domestic orders have how-ever provided the springboard for SESA to build up important international business — which accounts for about one third of accounts for about one third of its turnover — above all in packet-switching, where networks have now been sold to Australia, Brazil, Luxembourg, New Zealand, Taiwan, South Korea and China. "We have now become the international standard," says Jacques Arnould the STESA chairmans.

standard, says Jacques Arnould, the SESA chairman.
Another software company in the CGE group, also with broad management antonomy, is Generale de Service Informatique (GSI). Its chairman, Jacques Raiman, says his company has "the culture of a small business." GSI has built up its

growth in specialised areas, including videotex systems for the travel and tourism industry, and car dealers and systems for companies' personnel management. Mr Raiman has taken over as chairman from Mr Edouard Balladur—now the French Finance Minister.

GST which makes 40 per cent

GSI, which makes 40 per cent

of its turnover abroad, has also constructed over the last decade a network of European subsidiaries by taking over companies in Switzerland, West Last autumn GSI broadened its global spread with an agree-ment with Reynolds & Reynolds, the US car dealer information company, under which the two groups are pooling resources worldwide GSFs motor trade division has developed a videotex network, linking IBM per-sonal computers, which supplies computerised information on sales, inventories, spare parts and warranties to 5.000 car dealers in nine European

dealers in nine European countries.

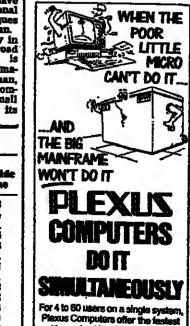
The link-up creates the world's biggest eutomobile information service covering a total of 17,000 dealers. GSI has the right to develop and sell the joint service in Europe, with Reynolds & Reynolds carrying out distribution in the US, Canada, South Africa and New Zealand.

Raiman, a mathematical con-

Raiman, a mathematical eco-monist by training, says GSP's success is based or turning away from a "do everything" strategy and "becoming leaders in Europe in certain fields." Why have French software groups prospered while hard-ware companies, in the main, have failed? Raiman offers this clue: "The Plan Calcul (the government's

Plan Calcul (the government's computer development strategy, formulated during the 1960s) made people interested in computers—but put people off from going into large bureaucracies. It created a large pool of talent—and it has been the computer service sector which has profited."

David Marsh



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Western Europea	n computing se	rvices
O Venders with worldwid	e revenues in 1985°	
Vender	Country	Wetldwide reverse
Cap Gemini Segeti Scienn International?	France	247.3
Scicon International	UK	143.4
GSI	France	129.1
Sens Metra	France	128.6
Datev :	West Germany	121.8
CESI	France	162.1
SESA	France	96.3
Thern EMI	UK	94.1
CCMC	France	90.3
Velmat .	Netherlands	84.2
SG2	France	86.8
Sliges	France	79.9
Logica	UK	67.3
Telesystemes	France	65.3
SDL ·	UK	64.3

Programming Environments

Quality is a critical factor

WORDS ENDING with "ity" panies and government authoriseem to dominate any conversation about programming environments. The password is "life cycle," but from there on, expect the experts to speak of reliability, quality, maintainability, and other such inponderables. "Methodelece" is the level of the le

ability, and other such inponderables.

All these are abstract terms which evade a basic dilemma. Programmers see themselves as skilled professionals, whose job is not just to code, but to analyse and interpret: programming, they say, demands skill, experience, flair, and talent. How then, do you impose a "standard environment " of any sort upon something which its proponents see as a creative akill, an "I did it my way" process?

The resisusually some sort of quality assurance, carried out by someone unconnected with

process?
The problem is that computer programming has become too important to leave to individualimportant to leave to individualists. This applies especially
where organisations are
embarked on vast projects
which may involve hundreds,
or even thousands of programmers in a number of
locations, possibly in different
countries. In military, defence,
and real-time projects, "quality"
is critical for more reasons than
cost-efficiency.

There is an industrial revolu-There is an industrial revolu-tion going on in programming, which demands that the process becomes more productive in quantifiable, measurable terms. "Programming environments" are supposed to give the creative programmer teols, but they also define limits. define limits.

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dard code.

There is usually some sort of quality assurance, carried out by someone unconnected with the actual project but familiar with the onvironment. There also has to be tight control of documentation, without which any project collapses into chaos, and a reliable way of restricting access to modules so that any access to modules so that any changes to code are authorised.

changes to code are authorised.

"This is only a tiny change; it won't take a moment "is a dreaded phrase which sums up the problem. Programmers are notoriously bad at filling in forms of any sort. Unlogged, unrecorded "debugging." in which new mistakes creep in, is a major problem, either dealt with by a product such as Yard Software's Lifespan, or built in Software's Lifespan, or built in to the programming environ-ment so that all edits are auto-

When a project is directed



• Wang "Office" software provides the Sedgwick Group with electronic mail, meaning, directory capabilities, list and time management and word processing. The system also meets the group's data processing needs, and can communicate with the company's mainframes.

This concept is supported by the "IPSE": Integrated Programming Support Environment. Much of the money provided through the government's vided through the government's GEC's GENOS starts at £8,000 Alvey scheme has gone to on a Sun workstation, or £24,000 lenium are programming on a DEC Vax 11/780. In fact, though such application of the companion of the companion of the companion of the cations lack the cations different approaches to common

problems.

Coding is not the most important stage of a software project, since it is merely the execution of a design. The Structured System Analysis and Design Method which is tha defined standard for government projects, recommended by the CCTA (Central Computer and Communications Agency) is just one of many such "models" which provide a framework for which provide a framework for

as Arthur Andersen's Design/1 or the Information Engineering approach developed by IBM-database guru James Martin and now used by Arthur Young. Most companies and software houses adopt a recognised methodology such as Learmonth and Burchett, Yourdon, Jack-son, or CACTs.

define limits.

Success is yet another abstract, which has no standard measure. "Quality "is wrapped up with "maintainability" and "productivity."

The favourite measuring stick of the industry is Dr Barry Boelm's Constructive Cost Model (COCOMO), a formula which takes over a dozen factors into its calculations on code production. Most estimates set the number of lines of debugged, tested, working, code at between six and 10 "perfected" lines of code a day.

The move to provide programming environments has been encouraged by large comlity. son, or CACT's.

aim. These diagrammatic design tools are often linked with specific software development ontols. "Software tools" is another other vague phrase which can not include operating system, the programming language in itself. One large British-based consultancy, Logica, has an entire division, known as Sesame, devoted to evaluating and recommending the approaches, and recommending the approaches, and McComment of the programming language is set on sultancy, Logica, has an entire division, known as Sesame, devoted to evaluating and recommending the approaches, and McComment of the populations suppliers and recommending the approaches.

idea and adapted it to make their packages easy to customise and maintain; MSA's "Intelligent Environment" and Dodge have grabbed the IPSE IPSEs do not come cheap. System Designers Ltd, SDL, and GEC Software are among the "Intelligent Environment" and McCormack and Dodge's "Milgiants whose IPSEs are to be released for commercial use. GEC's GENOS starts at £8,000

environments" which address productions one or some of the areas dealt users.

Used loosely, the term describes anything from a relational database and its satellite tools to an areas. satellite tools, to an applications generator of the sort

com, Cincom'a Supra and Software Ag's Adabas are typical IRM mainframe examples of database environments. Smaller-scale "applications generators" work





The move to provide programming environments has been Above: administrative operations carried out on an IRM

A consultancy case study: how EDS has taken computer services out of the hands of Unilever, the chemicals giant.

A grand-scale project

much time, energy and effort, that it is worth paying someone else to do them. For many

business is far removed from computing have had a variety of approaches to the problem: some had DP departments which grew into independent computer services bureaux.

One such, the chemicals glant Unilever, once sported an off-shoot—Unilever Computer Ser-vices. The company known as UCSL exists no longer; earlier this year it was swallowed by the US-based computer services giant EDS as part of Unilever's effort to consolidate its comemort to consolidate its com-munications strategy. In April, 1984, Unilever signed a 10-year contract with EDS for its entire computer facilities manage-ment, including a massive net-

THERE IS a point at which Unilever saw the problem of since the early sixties: we "house-keeping" jobs take so co-ordinating international tele-specialise. communications as the key to its entire information techno-

Large companies whose main pusiness is far removed from sorbed the staff; not entirely some had DP departments which grew into independent which grew into independent which rivals even IBM's rules.

EDS does not like to see itself as a grand-scale consultant, although its activities are a logical extension of the func-tion of consultancies. Many computer consultancies actively implement computer solutions rather than just advising and recommending. EDS sees itself very much as an implementor.

"Consultant is not a term we'd use of ourselves," says We get paid to do things, not

aim was a private telecommuni-cations natwork which would connect 200 Unilever sites, across 40 different companies, serving a total of 40,000 staff.

The task was to convert Unilever's private analogua tele-phone network to a digital sys-tem which could handle voica messaging, and handle 55,000 calls per day with almost immediate connection. The network also handles data transmission, and re-routes calls automatically if problems occur on tha

It also provides callers with a variety of services such as call-back, call-diversion, and call-line identification.

EDS supervises the network from a central network management centre in London, diag-nosing and correcting faults, and logging calls so that Unilever is able to analyse its network usage and bend it to the needs of individual sites.

"It's a complex thing to conrol, but there's a competitive advantage in getting it right,"
says Fernandez. "It takes experience to arrange information, and do it within price constraints. EDS has been working towards the idea of turning data processing from a

"In the past there have been few successes when companies else to do them. For many logy strategy. It decided to have spun off computing into organisations, particularly dump the entire problem into wholly-owned subsidiaries, the multi-national manufacturers, EDS's capacious lap and get on computing rates as just such a with its own business. focus on your main business and specialise in others. Peoplo pay the premium if they get better value from their

Fernandez believes there are two ways of proving the effect of EDS's service. At the prac-tical level, there are specific factors which can be measured: the amount the system is used, bow often it breaks down, and other day-to-day considerations. At a higher level, EDS can't be considered to be successful unless Unilever is also visibly

"If Unilever becomes more profitable, and increases its return on equity, says Fernandez. "It does us little good to make a profit if our customers Typically the result of congo bankrupt. We must be seen ultancy is a piece of paper. to be of value to the business." The real test is whether Unilever users are happy. Tho privata calecommunications network is the largest such in
Europe, and possibly the most
sophisticated. Certainly, it is
tha first tima a company of Unilaver's size has handed such a
project to a third party. The
system went live in April last
year, two months ahead of schedule, and now Unilever is working towards the long-tarm aims The real test is whether Uniing towards the long-tarm aims of electronic mail, data services access, and voice mailing.

The domostic parallol of somebody who "does" for a bousehold is a useful one, since computing can be a very personal activity to a company. Companies justified their off-shoot computer service arms by saying it was necessary to have a specific understanding of the business in which the parent

company operated. EDS insistence that it is a computer expert first and fore-most might be a double-edged sword. The Unilever experi-ment has already delivered some results, but the facilities management contract has another eight years to run before
its effectivaness can be judged.
Fernandez is confident other
companies will follow EDS's route of supplying ontire wall-to-wall services—"There's a lot to be said for economies of scalo," he says.

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The search goes on

COMPUTER PROGRAMMING has come a long way in a short' time. Only 30 years ago com-puters were programmed in the computer's own machine code, a complex and tedious process which involved setting each binary digit (or bit), individually. It was only undertaken by bright and clever people. Now it is possible for virtually anyone with the time and the curiosity to "program"

This has been made possible through the use of high-level language compilers, which can translate English-like instructranslate English-like instruc-tions into machine code. The commands that Lotus 1-2-3 users enter to create spread-sheets and analyses are com-parable to a high-level pro-gramming language. Similarly, the instructions issued to e word-processing program like wordstar, can be described as a form of programming. a form of programming.

High-level languages go right back to the beginnings of the computer in dustry. Fortran, a language for scientific and technical applications, was created by the US researcher, John Backus in the 1950s. Cobol, the language used for about two-thirds of the world'e data processing the world'e data processing systems, has its origins in the

early 1960s.

Despite the entrenched nature of languages with a beritage like Fortran and Cobol, the search for better languages and better ways of manipulating computers continues. The motivation behind pseudo-languages like Lotus 1-2-3 is to find a way of making computers more accessible to "non-computer people." Some new languages, like the Occam language developed by the UK chip-builder, Inmos, include features to program inmovative hardware.

Inmos devised Occam to pro-

Inmos devised Oceam to program its "Transputer," a multi-processor computer which llows many instructions to be allows many instructions to be processed et the same time.

The motivation in other language design efforts is to create more reliable software.

The US Department of Defense (DoD) set out to create what will probably be the last significant procedural programming language a decade ago. Called Ada, it is designed to correct all of the problems that have been found in other high-level languages.

Specifically, Ada has been designed to produce reliable, failsafe software for crucial military applications, including weapons control systems. These systems are often referred to as "embedded" systems because they are required to operate without human inter-

A typical example would be the type of control system used in the proposed European fighter aircraft. The two current prototypes for the Eurofighter, British Aerospace's Experimental Aircraft Programme (EAP) and the French Rafale, reguire their controls to be constantly "trimmed" to keep the aircraft in the air. The EAP uses no less than four computer no less than four computer systems, each backing each other up.

Although the software for the Although the software for the prototype of the EAP was not written in Ada, the Eurofighter project is almost certain to use it. The European Defence ministries have agreed to adopt Ada as a standard language for projects of this type.

The DoD chose to create Ada, rather than adopting an existing language, for a number of reasons.

reasons.

• First, it wanted a language that embodied features that did not exist in any other single language. Ada makes no claims to radical advances in programming technique. George Romanski, an Ada expert from the UK'e software company, System's Designers (SD) describes Ada as "a conservative set of components."
It aims to consolidate tried and tested methods into a single

language.

Second, the DoD wanted a. language which would force'

writing programs. Coutrol structures and checks can be built into a language to prevent programmers from making certain types of mistake.

Third, and probably most important, the DoD wanted a language that was free from any political bias. The various components of the US armed forces each have their own way of building software, using different languages and techniques. If the DoD chose an existing method or language used by one branch of the forces, it risked upsetting the others.

others.

The DoD was also keen to enlist Nato's support in making Ada an international standard for embedded systems. In the same way that the US Army, Navy and Air Force had each devised their own development members of Nato have their own established standards, too.

The UK Ministry of Defence, for example, uses e language called Coral as its standard. The West German Defence Ministry adopted a language called Pearl and each of the other Nato members have their other Nato members have their own pet languages and develop-

nent techniques.

Ada has come in for some Ada has come in for some severe criticism from programming language experts. Professor Tony Hoare, head of Oxford University's Programming Research Group and the originator of Inmos's Oceam, described Ade as "dangerous" because it did not contain certain critical

it did not contain certain critical features. And Professor
Edsger Dijkstra, a leading
thinker in programming techniques has been as critical.
But, despite its rough ride,
Ada is now a reality. It is being
used on real projects and has
caused some surprises.
Barry Boehm, chief software
engineer of the US defence
contractor. TRW, says that most
of the furore has died down and
the language is being used

the language is being used extensively in the US now, "We are beginning to see Ada have an impact on hard-ware design, too," says Boehm.
"TRW does its Ada develop-

ment on e specially-built com-puter called the R1000. It has been designed by a Cali-fornian company called Rational."

George Romanski of SD notes that Ada is changing the way programming is done.
"We have found with Ada that the effort has shifted from the coding and testing phase of software development to the design phase. We have to think harder, but coding is cheaper," says Romanski. Romanski also says that more

can be "re-used" in other projects, leading to further. long-term cost savings.

On the negative side, Romanski says that Ada requires much higher levels of skill. This brings us full circle, because the programming skills that appear to be needed for Ada programming are comparable to those that were needed to write the early machine code programs.

ent of military computer appli-cations. But it is unlikely to have significant impact in commercial information processing. Boehm says that Ada does not have some of the features that are required for "business data

computing is motivated differ-ently to military and aerospace omputing. Commercial computer users

me also faced with a vast amount of software written in a language which the US DoD devised to solve its administra-tion problems 25 years ago. It is called Cobol.

Comparison of Ada and Coral

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Design		20	70
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Philip Manchester

Case study in programming environments: how Chase Manhattan in the City of London is banking on Adabas and Natural systems.

An integrated approach

of the City, the factors were complicated by the deadline of e planned move to Bournemouth in 1986. The bank also intended to update its major computer systems in a massive operation which would result in a more immediate online service. ("On-line" updates are logged in-stantly, not in an overnight "batch.")

This involved a massive

expansion of computer kit; Chase doubled its power with e cluster of IBM 3060 series

mainframes.
Chase Manhattan was faced with the dual task of consoliwith the dual task of consoli-dation and expansion, as new banking services and products developed. The systems division had to cope with the rapid updating of existing day-to-day systems, but it also had to be sure of meeting less easily defined goals — business plans or new products which simply could not be launched without

support from the computing services. services.

"It's now openly competitive, so we have to react faster "says the heed of systems division, Vince Grant. "It's a matter of providing a better service."

The key principle was to create a flexible service that could expand and adapt at will but, as systems manager Dave Mitchell put it, "things move so fast, we were migrating to a moving target."

Chase had decided on a database environment in 1966; Software Ag's Adabas, in which programmers at the bank had considerable experience. Ada-

programmers at the bank had considerable experience. Ada-bas supports a fast-development language called Natural, part of a set of tools known as a "database environment." Purists would not regard Adabas or any of its competi-

tors es "programming environ-ments." The database is used as e central resource to create integrated epplications sharing the same data.

In a commercial environment where users are limited to IBM kit, and forced into a lot of expediencies by existing systems, the integrated data-base environment is as close as they can get to an IPSE. The other factor is the investment already made in holding information on huge mainframe databases.
The systems division at Chase

is the largest in the bank, employing 200 of the 1,000 staff in the branch. The computer services et the bank are divided into several systems groups, of about 20 programmers each, which serve the various appli-cations areas of Treasury (dealing room, foreign exchange, borrowing and lending), Trade (producing letters of credit), Securities (dealing with stocks and shares) and Foreign

COMPUTING has moved to the centre of most banking operations, so when e bank makes a strategic decision on a programment and technical support.

The system division is the largest in the bank and support and to be a long-term investment. For Chase Manhattan Bank, et present situated in the heart. though it is by no means a brand-new tool, nor does it use the full range of software en-

"The job was so complex that we had to epproach it piece-meal. Natural was already there and doing a good job, and that meant we could move ahead more quickly," says Grant.

The bank assessed progress

The bank assessed progress closely; when the first major online system went live, productivity figures were impressive. The everage program of 600-700 lines went through the entire cycle of design, code and testing to working trates in 2 8

with its new system which allows pay-ments to be set up on a distributed microcom

The Treesury system connects The Treesury system connects dealers directly with the mainframe. "No-one else does it," says the Treasury systems manager, Nigel Pickering.
"Most people who see it say 'we'd like that.' It's an unsual approach; people said it couldn't be done when we designed it."

He estimates that performance has increased three or

online system went live, productivity figures were impressive. The everage program of 600-700 lines went through the entire cycle of design, code and testing to working status in 3.8 days.

In brand new programs, outside the upgrading project, the work output was around four signed it."

He estimates that performance has increased three or four times and notes that the integration of several different areas of operation has made it possible to provide more effective "decision support," so thet the dealers themselves can do work output was around four

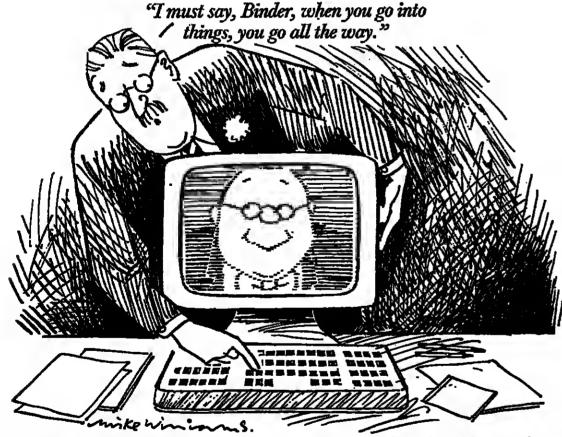
seen concrete results from the adoption of an integrated approach to program develop-

"Two years ago we didn't have an online system. Now services have increased ten-fold," says Pickering. So, on have his

the expenses side, h staff: from two to 20. staff: from two to 20.

According to Grant, software problems have hardly featured in the new systems, due to the quality of code, its stability, and reliability. "It's been a good exercise from the point of view of credibility; we've gone from being the people who can't do anything right to people who can do no wrong."

Claire Gooding



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Relational Database Systems

New contenders enter the marketplace

BEFORE THE days of database, programmes worked only with their own data files.

For example, the data contained in a payroll file would only be available to, and processed by a payroll programme.

essed by, a payroll programme. If payroll figures were needed to produce a report on manufacturing costs, a separate file would have to be created for a manufacturing costs pro-gramme, containing duplicated data which had to be kept in step with the original data in the negroll sign.

the payroll file. The use of database tech-iques allows data to be kept dependent independent from programmes, allowing different programmes to access, manipulate and update the same data files, regard-less of the manner in which the date is physically stored. In 1970, Ted Codd, an IBM scientist, formulated the concept of a relational database

Codd subsequently left IBM which has only just begun offering a relational database offering a relational database product, DB2 during the course

IBM does not like to force the pace of technological change on its customers. For years, they had become eccustomed to working with IBM's hierarchical database management product,

Advance

200

act of Adams

The hierarchical detabase was a significant edvance on its fore-runner, the bill-of-materials processor where an item of data or product could be exploded into assemblies, sub-assemblies and so on down to the individual

mponent level. However, different products found to get around this complication was to use an alternative model called the network model, involving the use of multiple pointers between data elements.
As an alternative to the hier-

archical model, the network model is losing favour because as a database grows, so the complexity of the data became increasingly difficult to manage. In the relational model, data is not only independent from programs but from other data

While IBM was pushing IMS, independent third-party soft-ware vendors such as Cincom, Cullinet and Applied Data Research offered their own competitive alternatives to IMS, gradually incorporating relational features into their database management systems

However, to compound the financial fix which Cullinet has found itself in recently, the company's pseudo-relational IDMS/R has fallen foul of Ted Codd's irritating habit of mov-ing the goalposts for what contruly relational

System.
Cincom on the other hand, decided to wipe the slate clean and start again with a system designed from the outset as a relational system called Supra. lespite years of investment and development on a large num-ber of add-on products to its Total DBMS.

When Codd originally formn-lated the relational model in 1970, there were two basic rulos. Last October, he pub-lished 12 significant rules in a leading US computer journal.

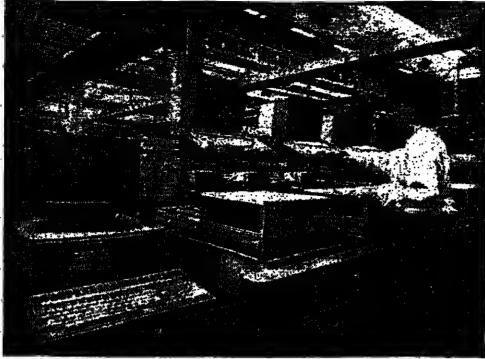
The following week, in the same journal, he identified a total of 42 rules which must be satisfied in order to measure the relational capabilities of a DRMS that claims to be relational

IBM's DB2 scored 23 points out of 42, while ADR's Data-com/DB and Cullinet's IDMS/R only scored five and four points was not included because it had not been amounced of the time. Even on the original 12 rules, ADR and Cullinet scored no

This prompted a rebuttal the week after by Cullinet's John Cullinane, followed by furious correspondence and articles in the computer press which still rages to this day.

The question is: does it matter if a system is not truly relational? ADR argues that

the customer does not really care as long as it does the job. Cincom believes that it does matter because a truly relational system provides the flexibility to cope with information needs of the future without affecting of the future without affecting



 OLIVETTI, Europe's largest It includes systems for word processing database, spreadsheet, business graphics and a number of utility facilities such as a multilingual spelling-checker and electronic mail, together with a desk-top system in which al arlier this year the group launched the

Olitext word processing package, but the Olisoft range will be available in the first

Olivetti claims 20 per cent of Europe's rsonal computer sales—"we believe we ould be offering the end-user a complete system, from hardware to operating systems and application software. It is this strategy which has given us such success with the M24 computer," says Mr Bob Garrett of British Olivetti.

Pictured above is the Olivetti produc-tion centre at Scarmagno, Italy, where final tests are being carried out on M24

The traditional third party the relational datebase market suppliers of database manage-ment systems for IBM mainframe computers originally con-ceived their products in the days of batch computing.

functions and reports are required, as well as the need for integrated systems, demands for real-time information. round-the-clock operations, larger data files, remote com-munications, and data security. munications, and data security.
These suppliers now face a challenge from newcomers such as Oracle Corporation, Relational Technology and Battelle Software, who having moved up from the minicomputer market, have been accustomed to working within this modern environment, albeit on a smaller scale. ICL for one, has recently signed e deal with Relational Technology to supply Ingres on signed e deat with Relational Technology to supply Ingres on ICL hardware worldwide, having previously supplied its own version of IDMS under licence from Cullinet, while IBM supplies Oracle's DBMS under a "private label agree-

is the Pick operating system, originally available only on McDonnell Douglas (formerly Microdata) minicomputers. Pick has been available for some years on Honeywell mini-

computers supplied Universal Computers (UCL) and is now One argument used by DBMS suppliers whose products do not comply with the relational model is that relational systems are slow, an argument refuted by Codd who claims that this is merely an excuse for not doing

merely an excuse for not doing the necessary development work because there is no in-herent reason why relational any other.

The fact is that at this stage, no relational system can cope with the high transaction volumes required for dispensions and the fact that the high transaction volumes required for dispensions and the fact that the high transaction that the fact that the f

ing cash from banking terminals or making airline reservations from airports dotted around the world. Nic Birtles, Relational Tech-

"Ingres is now half the speed of IDMS, but the product is only five years old and dur-ing this time we have concen-trated on making it reliable,"

"With an average speed improvement of 40 per cent to 50 per cent a year, we expect to catch up in three or four years, but more significantly, the culture of business is shifting towards local autonomy with such access to information. global eccess to information.

the capabilities of large main-frames to their limits. Also the cost of telecommunications is not decreasing nearly as fast as the cost of computing. "The general move towards modern distributed data pro-cessing makes speed less im-portant, and relational systems are better suited to this type of environment," he adds. "There is also a question of data security—people worry about all the information for a

Boris Sedacca

the reasons that Philips adopted it, was that it could be used on environment as any large com-pany: long lead times for devel-opment projects, too many demands made upon too few

"We were trying to get costs down, and the way to do that was by improving programmer productivity," explains Devid Lodge, manager of technical support at GRE at Lytham St. Arma headquarters. information systems. St Anne headquarters. GRE is a composite insur

ance company, dealing with all classes of insurance including classes of insurance incliding life, fire, motor and accident. The company is one of the largest IBM sites in the UK, running large IBM-competible mainframes with distributed IBM 8100 machines using the IMS database management soft. IMS database management soft-ware from IBM.

GRE had introduced an "Information Centre", an IBM concept for delivering endissa concept for delivering end-impact. However, the demand for traditional (if more sophisti-cated) data processing systems kept growing, so the applica-tions backlog grew with it.

Rather than recruit more staff, GRE's reaction was to assess its systems. It introduced a programming environment which would fit into its existing systems strategy, but con-centrate on the programmer productivity system was Maestro.

The system was Maestro, one of the pioneers of software engineering and productivity tools, developed by German firm Softlab in the early eighties, and sold by Philips Business Systems.

In selecting a programming environment programmer productivity may be the top priority, but it is by no means the only one. The power of a mainframe cannot always be spared for the intensive process software development. Another important element is control: for systems develop-ment to be effective in the long term, it has to be con-trolled and co-ordinated.

faced the same problems when virtue of Maestro, and one of off the mainframe. evaluating its programming the reasons that Philips adop- "Maestro had a

Case study in programming: how Philips' Maestro distributes power for the Guardian Royal Exchange. Claire Gooding reports.

Route to lower costs

Maestro was shead of its time. Its approach was to developing on one machine and running the completed software on another host; six years ago it was less common.

Maestro used this technique, but on a very specialised work-station, providing a wido range of programming tools. Up to 24 such workstations are supported by the Philips P7000 minicomputer.

High speeds

This is used as a departmental "front end" to whatever main-frame is already in residence. The system works at very high speed—not always the case with development systems and given speed—not always the case when development systems—and gives programmers an impressive range of tools to develop and test programs, Nick Wenman,

product manager within Philips, sees it as o true IPSE—inte-grated programming support environment—developed long before the term itself became "The real key in software de-

relogment is documentation control, we see it as 60-70 per cent of the job," be says. The programmers workbench and the coding is a small part of the overall task.

"Often the so-called 'fourth generation' languages don't provide vital word processing services. Maestro pulls all services together, so that clerical and programming staff work on the same system, Real

and higher productivity

"Maestro had a big impact ted it, was that it could be used on our word processing as a "frontend" in any existing hardware and systems environment, and did not demand that a company aband-oned its existing investment in the first time we could annotate discovered to the first time we could annotate diagrams and words."

The Maestro system gave its users in GRE a single-screen distribute programming power on multi-user systems without losing contact with the central mainframe. "Portable" operating systems have recently popularised the technique of statements to run on the mainframe GRE also saved on its frame. GRE also saved on its mainframe resources by writing its own code for distributing its editing.

Maestro is expensive, but GRE has measured its success more in terms of effoctiveness than in straight hardware cos As e way of putting one terminal on everybody's desk, it is comparatively cheap. GRE estimates a 20 per cent increase in programmer productivity though this must be set off against hardware costs; even so It reports a net increase of

eductivity of 10 per cent. "There's a very clear pro-cedure right from the initial feasibility study for a system right np to implementation," says Lodge.

"We sea it as enabling user-departments to react very fast to the ideas for new producta presented by our business presented by our business analysts, because they all talk

"Talking the same language," sums up the principle of TPSEs, Maestro's dedicated mini-computer approach is not cheap, or widely accepted (Philips alms It at the top 500 com-

But e measure of its success is that it has been specified by the government authority CCTA (Central Computer and Tele-communications Agency) as part of its Case campaign to cut software development cost by

control: for systems development to be effective in the long term, it has to be controlled and co-ordinated.

Maestro broke new ground in its approach to programmer reasons GRE chose tho "departing was one of the productivity because it concentrated a set of integrated as against the widely accepted tools on a custom-buik work—

work on the same system. Real productivity benefits come when the services on e team basis."

The integration of all development cost by approach of all those development cost by approach to be offered to support the Government standard system development. SSADM; Case SSADM Environment. The baffling sets of initials do disservices on a custom-built work—

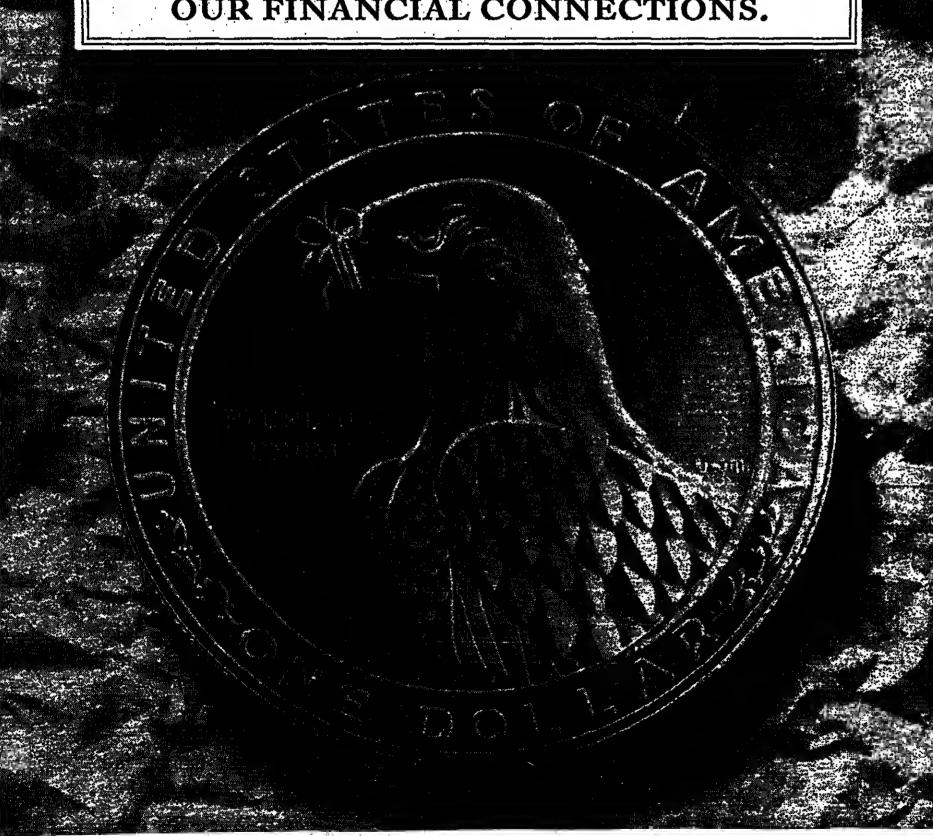
The integration of all development cost by approach of all development cost by approach to productivity benefits come when the services on e team basis."

The integration of all development cost by approach of all development cost by approach to be controlled and co-ordinated.

The integration of all development cost by approach of all development cost by approach to be controlled and co-ordinated.

It will be used to support the Government standard system development. SSADM Environment. The baffling sets of initials do disservice to the idea, which is to find a lingua franca.

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WITHOUT PROPER advice companies of all sizes are prone to land themselves in problems with computer software, as Cliff Dilloway shows here with a case

In this hypthetical example, he tells how the managing director of a small business made a hasty decision to buy a computer system from an eager computer salesman who said "yes" to all his questions.

THE DIRECTOR of a clothing company just managed to place his order with the computer salesman before the price increase was due — then the salesman asked what, exactly, was the problem facing the customer who operated a cloth-ing warehouse in East London. The difficulty, apparently, was that stock records were unreliable — and since these records were faulty, everyone in the business from salesmen to executives were all checking warehouse stocks to meet

Selecting the right system: first evaluate the major requirements

warehouse, a lot less garments had been invoiced than had been manufacturered, and it was believed that computerisation would solve this problem.

After the computer arrived there was some operational delay as no one had the time to set up the full details of garments held in stock or the names and addresses of the executives were all checking of the season and the whole warehouse stocks to meet individual orders.

Having found the required garments, they hand-delivered them to customers in the season and the whole exercise had to be repeated with the new season's lines. Only then did the first difficulty come to light.

The program package was

Dresses came in three lengths but there was no way of indicating the lengths on the record in

A clever programmer was able to solve the dress length problem at a charge that made it appear that be earned about

interests of good service. There rather old. For dresses, the there were even some in the were also problems with the style, colour and size could be warehouse who thought that the invoicing system. At the end entered, but not the length, new codes were easier to use than the old pre-computer way. The crunch came one after-noon, midway through the season, just nine months after the computer was delivered. The message on the screen said "disk full"—and the keyboard

> different styles of dresses than ever before. The programmer's indicating the length of a dress.
>
> So, e size 14 dress was either
>
> A4. e B4 or a C4.
>
> The staff in the warehouse all carried little cards to decode the size and length codes, but on the invoices the clever programmer had been eble to make the size and lengths print out
>
> The programmer's bright idea on the dress lengths meant that three separate records were needed for each style, colour and size of dress. As a result there were four times as many dress records or the computer as it was designed to hold.
>
> The programmer had since correctly. After a few weeks

ment just had time to point out whose fault it all was before he

went off on holiday.
The following Monday they
managing director of the comshowroom machine on "free oan." He set up the computer

It was e very slow process and no-one knew why. When the copying was finished, the wrong way so all the stock words were exchanged between

they totted up the losses. There was the computer, the software, -and at the end of the season the stock losses were double year later the matter was settled

When the system does not work

Routes to resolving disputes

probably the most important Software is acquired by part of what users buy. That means of a licence to use under is the nature of systems. For the copyright; this is the purmost day-to-day difficulties, a chase of a service. Complaints quick explanation followed by of merchantable quality or fitan "I see" from the customer, ness for purpose are for goods, will usually resolve most prob-both in the US, under the Uni-

over the specification of what the system will ectually do, are more fundamental. For exwidely interpreted by the customer or strictly edhered to by the suppliers? Do they put different meanings to the words? Is the specification and the programming all in one contract? Has the customer supplied sufficient test examples to express what he wants, in real terms?

tial weaknesses that can emerge as flaws in the final

Considerable effort is often Considerable effort is often needed on everyone's part to get e new system working well. For failing systems, nine months of effort is usually about the crunch date for resolving the problem. By that time extra hardware has been supplied on "free loan," there is a new version of the software and the customer has bad a specification of what he an outside consultant.

The stage is then set for letters between managing directors, "without prejudice," meetings and instructions to solicitors. The issues have to see a writer of the solicitors of the solic

solicitors. The issues have to be identified: the hardware and software will be separate elements in the contracts. The hardware is a purchase or lease purchase of goods, but there is not likely to be e sustainable

Software is acquired by legislation. The route is to make specific complaints, but that may be difficult in the absence of e clear specification.

Most computer contracts are on the suppliers' own standard conditions which restrict much of the suppliers' liability. A sound basis in the UK is the model conditions of contract developed by the Institute of Purchasing and Supply (Tel: 0780) 56777. These are the only inductive agreed, model conditions.

to most UK suppliers.
There is usually some choice over where the battle will take place. Most UK compoter dis-putes are taken to the High Court, but there are other

ness" for e computer dispute, and perhaps there is not yet enough work for a specialist

computer technical purchase of goods, but there is not likely to be a sustainable complaint about the goods, as such.

Perhaps the customer has stopped his lease purchase payments to the finance company ments to the finance company.

themselves in simple language, the merits of a case may have little chance of getting through the lawyers to the judge. Thus to choose an Arbitrator wisely

to choose an Arbitrator wisely is to bypass that problem.

Commercial court judges would doubtless prefer not to take on computer disputes. On the other hand, they hear eppeals (or, more likely, turn down applications for appeals) from arbitrations, so perhaps they cannot avoid the work? Certainly, in computer copyright disputes, the business world needs the quick service that the commercial court aims to give its customers.

to give its customers.

That brings us back to what computer man would call the default option" of the High Court. Slowly, solicitors, counsel and judges are gaining more considerable cost to the parties

fear of losing a case.

It is the unknown cost factor, plus the possibility of losing a case and the necessary commitment of management time that The Official Referees are also thought of as the natural home of building and construction disputes. A computer dispute has a similarity. A concept has been sketched out; a lot more is learnt as the job proceeds and is fleshed out and the complaint is that the job does not lead to the first promise.

But half a computer system is no system at all if those In the last analysis, a working system really only exists in individuals' heads, so patching individuals' heads, so patching up the system and trying again is really not practical. There needs to be an instant appeal for directions at the first sign of more trouble. Only a technically-qualified arbitrator has the ability and euthority—which he may never need to use-to

give binding decisions so that native dispute resolution has the parties work together or pay for the consequences.

It has a good deal of potential

for the consequences.

If the survival of the system is more important than merely winning the case, then the US-developed Alternative Dispute Resolution Procedures may be tried—but there is no magic formula in this beyond getting the parties, as distinct from their lawyers, talking ebout their case before a knowledge-

The writer is in private practheir case before a knowledge-able chairman.

In Britain, the system of alter-

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How a microcomputer network keeps the Welsh Office in Cardiff in constant touch with London.

Linking up with Whitehall

A DAILY news and information service compiled at the Welsh Office in Cardiff is keeping with Weish affairs.

The data is edited and conveyed on an Apricot Viewdata system which provides the Secretary of State for Wales, Mr Nicholas Edwards, and several of his colleagues, with round-the-clock access to a comprehen-sive information service.

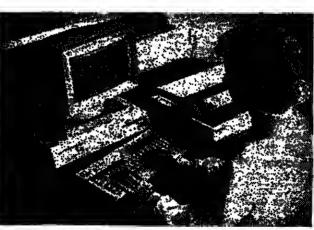
In addition to daily updated news summaries, ministers can review 800 "pages" of Welsh local government statistics and economic surveys at any time. economic surveys at any time.
Apricot Viewdata enables
users to access information
stored (and updated) on a
central file server from up to
200 remote terminals. Topics
can be selected from a main
menu and displayed as colour
"pages" on the screen, or
printed off for circulation.

The heart of the Welsh Office system, supplied by AT Computerworld of Cardiff, is an Apricot XI HD file server, with 20 Mb of integral hard disk storage, and an Apricot Xi FD.
These are linked to three
Apricot FI personal computer
terminals in London and two terminals at the Welsh Office in

All of the Apricot microcomputers communicate via integral modems and connect with the central file server through a modem concentrator (16 port multiplexor) supplied with the Apricot Viewdata

Information can be edited and input et the file server or any of the terminals on the system, including dedicated Sony Viewdata terminals in the Welsh Office's press room. To ensure that all statistical

data is consistent, several hundred frames can be edited Apricot Viewdata enables the



Up to 800 pages of information can be displayed on a network of 200 Apricot terminals

relevant frames to be copied, edited and then copied in a revised format back onto the system without the expense of hiring additional frames. As the system is never switched off information can be

accessed from Cardiff or London, day and night, seven days a week.

In addition to the news ser-vice the system holds information on the following:

 Local authority statistics population; rate support grants.

development assistance applica tions; employment figures; coal and steel production data.

General projections—future topics to be covered included health statistics; public expendi-ture surveys; education and housing statistics.

The complete Apricot View data system costs under £20,000.
"There really is not a comparable system," claims AT Computer World Cardiff's director, Ian Robertson.

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How one company cut computing costs by 40 per cent

ONE COMPANY which turned to tacilities management of computer services five years age was the Relient Motor Company, specialist manufac-turers of sperts cars and three-wheelers. Formerly, Re-liant maintained its own in-house data processing liant maintained its own in-house data processing department, for accounting and parts control.

According to Reliant's finance director, Mr David Mends: "The decision was really an economic one, based on our supplier, Data Networks' claim to be able to achieve savings of at least 20 per cent on current data preper cent on current data pro-cessing costs." In fact, the changeover at Reliant cut computing costs by 40 per cent. (The initial contract was with Duport Computing,

a founding partner of Data Networks.)

Networks.)

The key to this level of saving is the back-up provided by facilities management companies, which obviate the need for in-

house management and sup-port staff. As a specialist manufacturer, with a 215-

Encouraged by the benefits achieved at Bellant, he has now set up facilities management contracts in other parts. of Nath Industries, Reliant's parent company.

Data Networks claim that "significant savings are the norm," depending on existing swinm performance and user-efficiency.

rigorous development and their higher productivity, open the way to programming more unique features into the indivi-dual computer system at a lower

ticular contract they have. The

languages and we are getting anormous productivity increases as a result of using them." The next step in the productivity race, the use of more integrated

of the cost he said.

The software productivity increases achieved by the bestoke software houses are also available for the package suppliers. Their newer products will be built with such tools;

meaning the price can come down significantly. As it does, they will find a larger market, expanding the customer base with cheaper products.

This virtuous circle, set in train by the improvements in

of the industry has been able to use to its advantage for years.

But customers are not used to cheap software, equating the price with the quality of the

run on personal computers have been able to work the virtuous

be expected who have a lower

Richard Sharpe

Bespoke Packages

Tailored to users' needs

been saved from the difficult task of becoming expert at product marketing by the advent of the fourth generation language.

Two years ago it looked as if packages would continue to pressure the bespoke software sector, cutting into its margins and its customer hase. Packages were inherently cheaper because the cost was spread over a number of customers and they could be relied on more because they had been tried before.

Bespoke software, on the other hand was more expensive

Bespoke software, on the other hand was more expensive because it was e one off and, being a unique system for that customer, had to be tested before it could be trusted.

Once a project was finished it became a fashion in the softwarehouses to sit down and try

warehouses to sit down and try to turn it into a package, if there was a big enough poten-tial market for it. there was a big enough potential market for it.

That, however, faced UK software houses with a problem. Instead of the one-to-one business relationship they were familiar within the bespoke market they would have to establish a whole, mature marketing opertion to handle the package side. If there was one thing that VK software houses were not going to be able to beat the US vendors on it was marketing. Clasming superior technical skills and winning international bespoke business was ene thing, but the UK software houses would face defeat at the hands cores of systems can theoretically, now be built up and modified far faster than with the more conventional design of the US peckaged software companies orientated towards marketing.

and programming tools.
Geoff Unwin, managing director of Hoskyns, says: "You have got to tailor packages to users' needs. Fourth generation languages allow you to do that." The sector figures seemed to bear this out. Year-by-year the growth of the puckage market was higher than the growth of the bearing market. Peter Hornsby, chairman of software house Syntek, sava:
"We are shifting across to the existing fourth generation

was higher than the growth of the bespoke market.

The packages that proved successful came for both sides of the computing activity: for controlling the computer in its internal tasks and for a direct application such as payroll and ledgers. The most successful packages on the market, apart from the ones aimed directly at the ICL user base, all seemed to come from the US supplied by Cullinet, Cincom, MSA and the other fast growth computer package companies. Add to that the wave of US-

personal from Microsoft,

packages from Microsoft, Digital Research and the other suppliers and the picture looked grey for the UK software houses without a strong range of packages. It seemed as if they would be left with a slower growing market where skills were at a premium.

Two years ago, however, the acceleration of the package software market began to slow. The market for packaged software, seconding to Mr Doug Eyeions, the director general of the Computing Services Association, is not growing at the rate many pundits say it is.

The 1985 US market expan-"The 1985 US market expansion is nothing outstanding at all and I am not sure the West European market is expanding as fast as they say," he says.

These concerns about the package market are reflected by many companies whose results recently have been lack lustre. John Mills, managing director of Midlands Software, says: "The large software development system Tas Plus written in the US. has been priced at £69 by its UK distribu-tor, Newtons Laboratories. Theo Van Dort, Newton's managing director, claims to have sold 1,500 copies in its first four houses formed in the middle 1960s, the era of batch, have been unable to keep up with the demand by the customers mouths in the UK.
The advent of such packages The advent of such packages has put pressure on the traditional package vendors to improve their products. The features available in many packages designed to run on a personal computer for one user are far in advance of the features available for users of some larger systems. But the for new functions in the soft-

companies have made ne attempt to try and catch some attempt to try and catch up but, in many cases, are showing the strain, he said. They are still relatively new businesses who have not been able to gain the maturity of management necessary to change sufficiently quickly, he classes designed to run of a responsible to gain the maturity of larger systems. But the larger sufficiently quickly, he contend with, a cost structure that can not easily

The current demand for soft-are packages is highest for cheap IBM compatible personal interactive database or the companion of the companion an interactive database or pro-viding productivity tools for the job of systems development. Another factor that probably cost structure than the estab-lished suppliers. slowed the growth of packages was the uniformity of packages.

inaunfacturer, with a \$15-£16m annual turnsyer, Reliant feels that the kind of in-house data processing resources which existed formerly and employed 20 people, was diffi-cult to justify. Nowadays, there are only two people working in their data process-ing department and they are both on Data Networks' pay-rell.

"New, at Reliant we don't require the analysts, programmers and back-up staff on our own payrell to keep the operation going," says David Mends.

Facilities Management

NEW ENTRANTS over the part 13 months to the facilities management sector of the UK come agreement entropy of the facilities of the definition of the control of the UK come of the control of the UK come of the control of the UK come of the control of the control of the UK come of the control
lities management is market awareness.

"There is not yet a very good awareness of the possibilities of level of the financial or management at the level of the market and picking up busic are in thorse a 15 per cent theorem and the management at the management at the level of the financial or management at the man

Hubert market. You have to have a Computer certain amount of skill and facilities to keep up over the years and you have got to have a certain size of company to sustain these skills," he says.

This is the reason behind the

deal between Duport and LRT, giving Duport a bridge inte the south asst and a larga IBM mainframe facility in London. It will be the reason why other alliances may be formed in the near future to enter the market. How far the market will grow is etill debatable among the members of the sector. Haw-thorne quotes a 15 per cent

refacilities management deal with Automotive Products to a run AP's IBM mainframe.

y This deal included taking AP of through to a new generation of software for manufecturing systems. It is IMTs third facilities management deal, according to Davies, and be expects three or more like it in 1987.

Mike Hawthorne, sales and marketing director for Data Networks, claims thet the facilities management sector is all about economies of scale. You need to be big to get the right level of staff so that customers can be supported by the variaty EDS is the bulltah one, pushing for business with the financial and technical resources of General Motors behind it.

"The potential is very large indeed," Hubert says. "It is 50 per cent compound growth a year when you take the systems integration aspects into account."

Richard Sharpe

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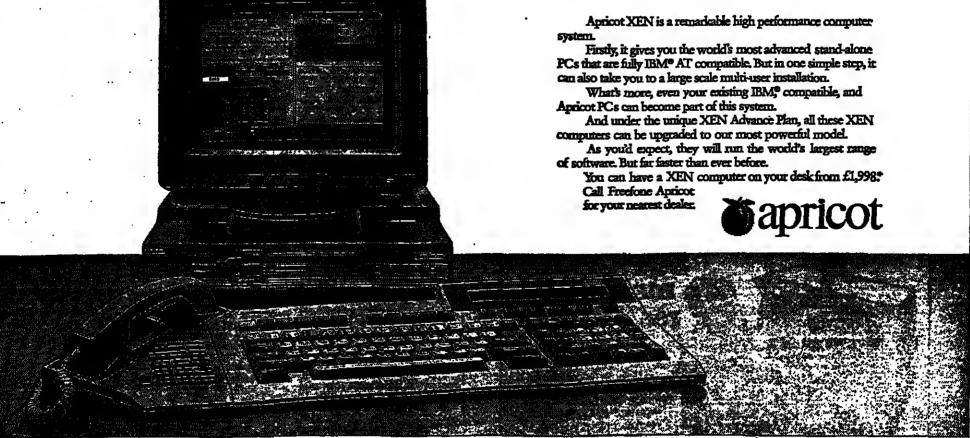
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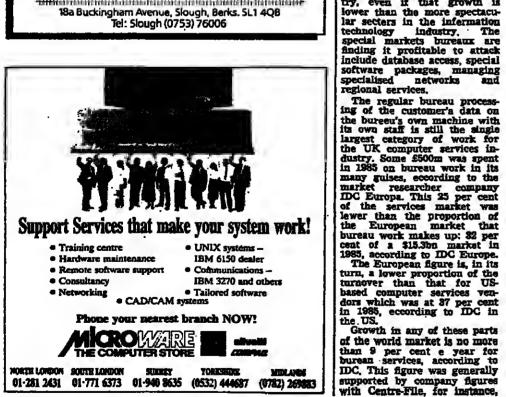
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Data Security

Under threat from many sources

ONE OF the thorniest issues in that the person sitting at a the computer world is that of reswicted access terminal is data security and integrity. The subject is a complex one which Time and Data Systems, for subject is a complex one which covers everything from protecting e computer system from physical attack, ensuring that e piece of information is transmitted correctly to prevention of software piracy.

In the commercial world, banks have been the most security conscious as regards computer systems. Every day billions of dollars worth of business is carried out electronically over banking networks and electronic types of transactions are likely to grow. So banks frequently have to review procedures for protecting information relating to

review procedures for proceding information relating to banking business.

It has enly been relatively recently that companies have begun to look closely at the vulnerability of their computer networks to various kinds of

A computer system is under threat from many sources. For example, it could be the threat of deliberate physical damage from a disgruodled employee, an accident such as e fire, it could be from defense or it the fraud from employees or it could be outside fraudsters attempting to tamper remotely with information stored on the

Protecting a system against such occurrences is a mixture of technology and common sense. The more obvious risks such as damage by fire, if not pre-vented can be lessened. There are now several organisations which offer companies e service where a duplicate standby comwhere a displacate standay com-puter system can be activated should the main system fail. Banks and insurance companies are subscribers to such services. A large number of incidents can be prevented by limiting access by personnel to the computer system. Often the mevenent of computer staff is restricted and monitored by electronic access managed and monitored by electronic access control sys-tems. Electronic or other types of keys can be programmed to give a particular staff member passage to certain parts of the building.

COMPANIES in the UK com-puter bureaux merket are following one of the classic routes to survival in mature

routes to survival in mature markets: specialisation in order to differentiate product and service from the competition.

This specialisation is ensuring the continued healthy growth of the burean sector of the computing services industry, even if that growth is lower than the more speciacular.

who be er she claims to be.
Time and Data Systems, for example, has e system on the market called the TS300 which is designed to prevent the use of computers by unauthorised personnel. It is connected into the R\$232 communications line which normally links the ter-minal to the host computer. The VDU is rendered inoper-

ance to a usermal credit card. However, instead of a magnetic stripe which can be tampered with, the microcard has an with, the microcard has an infra-red coding system. Only when the card is inserted into the control unit is the VDU activated. Fer additional security, more than one control unit can be used so that e supervisor and another staff member have to insert micro-

member have to insert micro-cards simultaneously to operate a particular terminal.

These physical means of pro-tection are of little use when data is in transit or being interrogated remetely from ent-side sources. In general, there are two categories of data pro-tection—encryption and authen-tication.

Coding system

Encryption is in its simplest form a way of coding e-message before being transmitted so that only a receiver with the correct key can turn the garbled data into its eriginal form. The idea is to prevent people tapping into the system and making use of information being sent over computer net-works or atored on large com-Such a technique is ideal for ita transmission. As Mr

data transmission. As Mr Charlie Repton of Logica FS pointed out, even with a supercray computer it would be diffi-cult to decode encrypted data in time to make use of the in-

The bread-and-butter of bureau work remains the stan-

dard payroll-type application where the standard package is

where the standard package is used to process the customer's data. It involves the preparation of the customer data, the scheduling of machine time, the development of the software package and the delivery of the processed data to the customer on time.

Application

Specialisation is, however, important for the small bureaux effering payroll and other services. Regional-based companies can be near their customers and support them directly. John Waterhouse, managing director of Comprehensive Computer Services based in Cleckheaton, West Yerkahire, says: "The further away from here we go, so eur chility to compete for business falls off. We won't come south other than for very specialist applications."

for very specialist applications."
This regional accent to the market has been alightly under-

mined by the development of business personal computers.

Smaller bureaux thrived because they offered cheaper computing to smaller companies around them. This traditional base of bureau work has been eaten into by the business pc.

Many people are buying a black box to solve their business problem when they would have

gone to a bureau to solve their computing problem, says Tom Moore, technical director of CSL Computing Services of

against the burean cost, edds Mr Moore — "It is hard trying to shew people that they will

have a lower net solution cost going to the bureau," he says.

able to all but anthorised users who have been issued with uniquely numbered microuniquely cards. This card is similar in appear-

> the mathematic complexity, but personal computers are now personal computers are now powerful enough to take advantage of encryption.
>
> The US Government has set the Data Encryption Standard, DES, which is the basis of many commercial encryption systems.

Computer Bureaux Market

Trend towards specialisation

frame.

tion of the customer data the scheduling of machine time, the development of the software package and the delivery of the processed data to the customer on time.

Bureaux made money en this type of service because they could buy big computers and spread the costs over a unmber ef users; in general, the bigger the computer the lower the cost of each unit of work.

This business still supports a large amount of the market. Centre-File, for instance, the National Westminster Bank'e compater berean subsidiary, projects that it will de £12m worth of payroll business in 1988-87, a hefty proportion of its £44m projected turnover.

Application

Specialisation is, however, important for the small bureaux effering payroll and other services. Regional-based companies can be near their customers and support them directly. John Waterhouse, managing director of Comprehen-

The total cost of solving the problem is much more than just the cost of the pc, but that is what is weighed in the balance

The total cost of solving the information and collaborate to provide it in some form or another.

As a result, split markets with

He believes, however, that makes the difference between success and leaving the market. It is also expensive to establish a network, more expensive

bursaness from customers whehave tried te go along the pc
route ou their own and failed.

bursaness and leaving the market.

lt is also expensive to establish a network, more expensive
than the old job of buying a

Hal Communications of Farnborough has a DES system which is a mixture of hardware Secure, the £800 system com

The UK company acquired the licence for the system from the US Government and Winterhalter which developed Secure, Hal Communications has also received authorisation from the British Government's Communications Electronics Security group from GCHQ to market the system for banking, commercial and military appli-

projecting 10 per cent growth Some bureaux have taken the large mainirame and e software allewing for inflation.

tack of edding pcs into their package for standard business.

The bread-and-butter of services to overcome the threat functions and carving up the

services to overcome the threat of the pc. Several of them have

become dealers in pes and others are basing their services on supplying the customer with a pe linked, by telecommunica-tions, into the bureau's main-

centre-file has found another in the processing of the vehicle registration data for the Society of Motor Manufacturers and Traders. CSL in Droitwich has given a special emphasis to providing real time production control computing accrition to Middland and

ting services to Midiand and Weish border companies.

Some specialisations, however, are only open to the largest players who will have a few months to establish a

market and see who survives in it. These are the database and telecommunications specialisations where the bureau acts as hosts for the database or network for a vertical set of learn

tical set of users.

The whole purpose behind such a service is that it is necessary to go to only one vendor to get the whole service;

the really successful network and database services are those where all the players in a ver-tical market have need of the information and collaborate to

competing vendors will not work. It is even more difficult

to establish competition where the patronage of a major insti-tution, like a trade association.

hieroglyphics, Such a technique used to be restricted to large computer systems because of

Straifors Data Products has recently introduced e British product called PS3, based on DES for personal computers. This is a floppy disk-based encryption program, costing

and software designed for IBM personal computers and com-patible. machines. Called prised e special printed circuit board which plugs into the personal computer and associated hardware.

of keys can be programmed to give a particular staff member passage to certain parts of the bailding.

Indeed, these door entry keys can even be linked into the accomplex set of permunical main computer system to ensure the mathematical algorithms to common form type of energy. Which are available such as

tion requires the same key for tion requires the same key for coding and decoding. There are also asymmetrical encryption systems where different keys are needed for coding and decoding. These are generally considered to be even more secure than single key systems. university which, though time consuming to set up, can look at the various branches within a piece of software and decide overall program.

Encryption cannot cover every eventuality. Sometimes fraud-sters want to send information systems and networks are now systems and networks are now trying to build in security and integrity before the system is installed. Previously, security was considered after all other criteria had been taken into of their own rather than simply listen in en the line. So authentication is also important. Authentication is the means by which data being transmitted As computers are increasingly linked with others to exchange information between uetworks, so the likelihood of abuse become greater. Sometimes the different ways that individual organisations may classify information can lead to sensitive.

or received can be traced from
e verifiable source. This would
mean in e banking transaction
for example, that an electronic
payment message might need to
carry the right date, eccount
number, branch identification and come from a uominated terminal and from a user with the correct password.

Thus, companies have to set np a number of checks to try and ensure that information flowing in and out of their com-puter systems can be traced back to its source—something which cannot always be guaranteed.

intentionally be built into a computer system during the design stage. This is because software running on a large computer will comprise many

In the main, therefore, only one network can feed a parti-cular set of users, leading to an

early battle over territory and the victory of just one supplier.

Mr Stranack of Centre-File comments: "The level of invest-

ment to mount these services is very high. Yen have to wait a long time before you get a return on your investment."

He also says that none of these network and database markets are like the payroll business where there was a let of room for a whole number of

"There is scope in, for in-

"There is scope in, for instance, funds transfer for a number of players—perhaps three to five—but not the hundreds of payrell bureaux you can find," he adds.

If the smaller bureau can not compensate for their size in

terms of the financing available to them, they can try to compen-sate in the support they get from their own computer hard-

Comprehensive Computer Services runs its services on

Honeywell processors — "our husiness plan is closely tied to Heneywell's," says Mr Weter-bouse. "We get help, mostly in

terms of resources, Honeywell

never is the first with things but it is now moving towerds looking to third parties to do e lot of the business."

Many bureaux are alse tied

into a business group by owner-

ing for them. This ensures a continued stream of work for which the competition is minimal. For instance, about a third of Comprehensive Computer Services' business comes from the BBA group. These special relationships and the host of vertical markets that need cheap computing power, all provide e future for e broad range of bureaux. The traditional work is declining only slowly, slowly enough to allow

slowly, alowly enough to allow the majority of bureaux to find

another role in the bureau

"We are not losing the general business in droves." adds Mr Waterhouse, "indeed, it is surprisingly resiliant." While commenting that the old basic marketing philosophy of a range of standard business functions is not as strong as it used to be, Mr Stranack concludes: "The principles of using a large centralised mainframe for a variety of customers still

for a variety of customers still holds good."

Richard Sharpe

"We are not losing the

business

ship and perform their processing for them. This ensures

ware vendor. Comprehensive

DES (Data Encryption Standard) encryption algorithm is available within the T2000, Cifer's latest terminal (left) which has been designed specifically to be easily customised. This new facility means that data is capable of being

• For the first time, the

both encrypted and decrypted locally within the terminal and cannot be intercepted without dismantling and hence disabling the terminal itself. DES has evolved as the Industry Standard encryption algorithm, mainly because of its effectiveness and simplicity. It is owned and promoted

information which is classified information which is classified as secret on one computer network being freely available to all users ou another network.

Consultancies such as Logica and Admiral Computing find an increasing amount of their business is looking at the vulnerability of computer networks. They have checklists against which to measure system security.

Even today a large amount of computer fraud goes unreported moving at such a pace that con-sultants have to try and guess what types of risks to today computer ssytems will be around in five years' time.

Elaine Williams

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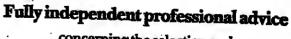
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concerning the selection and

System wins wider popularity

one supplier to provide every-thing from the software and See lading hardware on a computer system even to the wires that connect it all together, has 1 is capable in system even to the wires that connect it all together, has always held a certain attraction for users. Now as computers are put to ever more complex uses, this method of buying computer systems is gaining popularity among both large and small companies.

"There is a great future for the turnless content because ed locale Me

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and without be. There is a great future for the turnkey concept because the turnkey concept because the this business and leave the information technology (IT) side to the experts, says David Andrews, a partner in management con-Andersen; management con-sultants. "We're seeing much more of a keenness, particularly on behalf of larger organisa-tions, to have information tech-nology services delivered from

nology services delivered 'from soup to nuts'."

Turnkey projects have traditionally appealed to smaller companies which lacked the time or inclination to become involved in data processing to any great extent. But more and more they are becoming an option when large and sophisticated projects are in question.

Because such tobs require a eated projects are in question.

Because such jobs require a broader range of expensive skills than many companies are likely to have on hand, hiring an organisation which has developed expertise in that area begins to look attractive.

"I see larger companies treating their computer dapartments very competitively. They are very prepared to go out and

are very prepared to go out and buy a solution from someone who has done it before," says Malcombe Warne, marketing and planning general manager at systems house, Scicon.

Case study: how Anglian Water has combined operational expertise with computer systems expertise to monitor controls through a turnkey project.

The best of both worlds

So it seemed sensible to call on a company which had experience in the area of remote metering, or telemetry, to pro-

fact that Anglian Water The fact that Anglian Water lacked the staff to take on such a project also played a part in the decision. "It was not a realistic possibility to design the whola system in-house," says Mr Adams. "We could have employed people for the project but what would we do with them now?"

have employed people for the project but what would we do with them now?"

Those considerations alone did not dictate a turnkey, approach. Anglian Water could have hired a consultant and then contracted various parts of the project out to different suppliers. But it rejected that possibility because, says Adams. "We wanted to be able to put the whole responsibility under, one firm. We wanted to be able to say you provide the equipment, the software, the radios, the building work. Our dialogue will be with you."

Once it had decided on the overall approach, the Norwich Division prepared a detailed specification of what it wanted the system to do. It was looking for a system that would provide continuous monitoring of plant and equipment at 1,000 sites, many of them remote and unattended.

Through the use of radio, public suiteback talephone network.

Through the use of radio, pub-lia switched telephone network and private circuit links, it had to trigger along the first trigger. and private circuit links, it had to trigger alarms if there was any deviation from the norm. So if, for instance, a burst main emptied a water tank, a message would flash up on the screen of a divisional manager in minutes. Norwich Division also wanted a system which was flexible enough to run either from its control room or from one of its.

control room or from one of its, district offices or any combina-tion of those possibilities, and that could send information to the outstations as well as receive it. It wanted to use the information gathered to provide water consumption and opera-

within that overall brief, some parameters were set. The division wanted the system based at its headquarters in Norwich, set the figure of 1,000 out-stations and knew where it wanted the three radio scanners.

integral to the system located.
"It is a feature of turnkey projects that you often send out. a document a couple of inches thick and get another document back of equal thickness telling you what they have allowed for,"

says Mr Adams. Anglian invited companies that specialised in a variety of areas ranging from instrumentation to software to tender for the contract. Simply selecting that short list required a good.

The difficulty and expense of finding and keeping data processing staff also weigh in on the side of turnkey suppliers. "The tendency in the market to look for a third party for more rather than less help is burgeoning as part of the frustration that companies feel when they can't maintain what they've got because of a desperate abortage of staff," says Ronald Yearsley director of Business Intelligence Services.

This combination of factors points to healthy growth in this area of the software and services market. International Data Corporation (IDC), the market research group, predicts that sales of package software used as part of turnkey systems in the UK will grow by an average of 25 per cent a year to reach \$632m in 1991, up from \$166m in 1985.

The picture looks almost as bright in the area of custom software, some of which would be expected to be used as part of turnkey projects. There of turnkey projects. There, IDC shows \$178m in 1985 growing by 20 per cent year to \$519m in 1991.

Western Europe in general shows much the same trends. Packaged software as part of turnkey systems was worth \$842m in 1985 and is expected to grow by an average of 27 per cent per year to \$3.564hn by 1991, according to IDC.

Within this overall growth there are likely to be some changes in the nature of the turnkey projects. In the past many were done on a completely custom basis. When that began to prove too expensive the balance swung to the use of packages. But that approach

WHEN THE Norwich Division deal of groundwork, of Anglian Water decided to set "We did go through a fairly

when the Norwich Division of Anglian Water decided to set up a computer system to monitor a variety of measurements; such as water levels, sewage treatment and tides levels at to decide beforehand, he says. "With turnhey deals you've got treatment and tides levels at to decide beforehand, he says. "With turnhey deals you've got treatment and tides levels at to decide beforehand, he says. "With turnhey deals you've got the last reasoning behind that approach was simple. The basic reasoning behind that approach was simple. "Norwich had begun its feasibility study in 1982. By the manager of the Norwich Division "We wanted to take advantage of the latest technology. Our business is water. We're not computer designers We're viding telemetry systems so it was able to offer standard ker-

was able to offer standard ker

viding telemetry systems so it was able to offer standard kernels as a basis of the system that Anglia specified.

Logica installed the computers systems and software to run 200 outstations, a project worth £1.25m, by June of 1985. It is now working on phase two, a contract worth about £1m which will add another 250 to 300 outstations to the system. Anglia is pleased with the way the contract has gone. "It was something of a departure to use a software house for telemetry," says Jim Adams, "but now that we've got the first phase up and running we can say yes it was the right approach."

The fact that Logica was providing the system as a turnkey project and that there were emough of the company's emilyees on site to justify setting aside an office for their use, did not mean that computer staff at the Norwich division could sit back, relax and wait for things to happen. "You need to work closely together," he adds. "It is possible for somebody to say give me that and I'll come back when you've done it, but we just don't operate that way."

done it, but we just don't operate that way."

In fact, while the project has been running the Norwich Division has doubled the size of the sion has doubled the size of the systems staff. These people are needed to run the systems as it is installed. They were also crucial to its development. Logica installed the hardware and software but the Norwich division had to supply all the basic information with which the system was to work.

"We had to create a series of 2,000-odd pictures that give us all the information that we need," he says.

In-house staff were also necessary to supervise the project.

an-nouse gan were also neces-sary to supervise the project.
"We needed those people to make sure that we were get-ting what we needed," says Mr Adams. "Not that Logica would seek to do otherwise, but you don't want them to do a lot of work and you to incur a lot of expense and then discover that it doesn't do what you

Both sides have successfully completed their sides of the first phase of the project, with the result that Norwich now not only has an alarm system but an easy-to-use management

Now as much as ever, Mr Adams is convinced that a turnkey project was the best way to achieve the results Anglian Water was looking for. "Logica has the systems expertise, we've got the operational expertise and we think that a turnkey con-tract is the best way of securing a marriage between the two."

Margaret Coffey



To some degree the success of turnkey operations will always rest with the custon

did not always provide satisfac-tory solutions.

Now a middle ground has basis," says John Leighfield, been reached, with companies chairman and chief executive of been reached, with companies customising standard modules of software to meet the require-

Williams, (London).

To some degree the success of turnkey projects will always rest with the customers. As it is many suppliers regard the term turnkey as misleading, since it conveys the impression that all the customer has to do is wait until he is presented with a key which will set the whole thing running.

"It is not as though they can place an order and leave it to

"Lots of standard products will become building blocks towards end user systems that actually fulfil the client's need." says John Cadge, group divisional director at Fraser learn how to operate it."

"The customer needs to be deeply involved at the beginning, then during development there needs to be a continuing dialogue to make sure we're getting it right and to help them learn how to operate it."

Lack of understanding

Istel, which specialises in manu-

Lack of understanding on both sides of what it takes to make a successful turnkey pro-ject has caused problems in the past. A review of government procedures has caused problems in the past. A review of govern-carried out jointly by the Cen-tral Computer and Telecommunications Agency and the trade association for the software industry, the Computer Services

lems arose because users did not adequately define tha prob-lem that they were trying to solve, and then failed to recog-nise their responsibilities. At the same time, contractors tended to underestimate the likely effort and cost involved. The working group that did tha review has recommended steps to meet those difficulties,

Although such problems are true of non-government cus-tomers as well, turnkey sup-pliers expect the nature of the projects that they are taking on to mean that they will be work-ing even more closely with their

customers.
"Turnkey might not be right
word in the future." says Dr
Peter Partington, general manager for the public services
sector at Data Logic. "A number of clients want to do more
collaboration to get over a peak
in the workload. They buy-in
expertise, get the technology
transfer, but know that their
own staff will get the expertise
to carry on developing it."

own staff will get the expertise to carry on developing it."
Software and systems houses expect to benefit as more competition along with it, as for the first tima, hardware manufacturers move into this area. The software industry is confident that the experience that it has built up over the years will insure that it maintains its edge, however.

"What we believe will happen is that instead of turning to hardware suppliers in the first instance, customers will turn to systems houses to provide a solution," says Doug Eyelons, director general of the CSA.

Marragret Coffey Margaret Coffey

SOFTWAR UNDMISH Competitive pressures call for competitive answers, particularly in making optimum use of technology. ONSPETING Over half of the top 1,000 companies in Europe have used one or more of the products and services of BIS. BIS employs 1400 people including over 400 outside the UK. Talk to Roger Graham, Group Managing Director, Business Intelligence Services Limited, York House, 199 Westminster Bridge Road, London SE1 7UT. Tel: 01-928 9511. BIS is a leading £60 million Information

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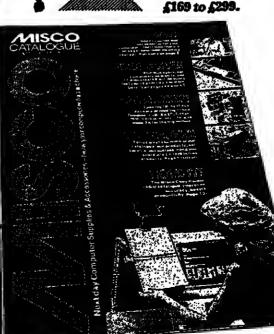
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Moving on to centre stage

"STRATEGY" is a key term in today's software industry. Every can be done better by an outcompany is terrified of being side consultant.

In the case of international systems avalanche of missing out on market opportunities; of getting trapped in a backstream where their computer services and then handed over its entire their computer services and the backstream where their computer services and the banded over its entire their computer services. So far they made a good where their computer services are isolated, incommunicado, because no one took a long-term puter organisation in the world. because no one took a long-term puter organisation in the world. but their entry into a lucrative when planning in-house systems.

So far they've made a good business out of selling advice, but their entry into a lucrative market is viewed askance by the traditional computer
Programming services have moved to the centre-stage of many large corporations. The paranoia about strategy is justified, especially where large companies support degenerates of the consultancy has become a companies support dozens of departmental computer facilidepartmental computer the street which bave grown up without any reference to the all-powerful central mainframe.

The problem is magnified in multi-national operations. Where data processing used to be a parochial concern, it has now become everybody e business, as vital to operations as transport or telephones.

In some organisations, such as banks the range of services they are able to offer is ectually defined by the power and flexi-bility of their computer ser-vices. The "hole-in-the-wall" cash dispensers provide one highly-visible example of a service made possible by com-

The deregulation of services in the City known as the Big Bang is a more far-reaching example of bow outside factors have forced large organisations to overhaul their computer services with one eye on present profit, and another on long-term

market position.
"Consultancy" used to be a fairly easy area to define in the context of software. It meant that computer users of all levels, from the first-time Personal Computer user to the mightiest of multi-nationals, bought in specialist expertise

to belp them make a specific decision about a system.

The word "services" expands the field; consultancies no longer talk of individual data processing projects and systems. They have grown with the computing services industry and now claim to offer complete planning services.
These are as much to do

with management as they are with computing: in fact the aim is to encompass a rect the aim logies, developed over several the company's business and years, such as CACI's structurn data processing from e cost tured methodology, and Hoscentre into e competitive tool. kyns' Prism. But the "Big This often involves inter-Eight" audit and financial connational "barmonisation" of sultancies, including Arthur computer services, a job which Andersen, Deloitte Haskins,

sort of computer services care-taker and overseer. "We're anxious to raise our profile from the strictly technical both in the UK and internationally," said Mike Watkins,

business development manager of Logica Consultancy Ltd. Companies such as Logica and, in the same bracket, CAP, have, nevertheless, had to rely on their technical background to carve out an international

Integration

Wetkins uses the word "integration" to describe the sup-port of clients' operations across different countries. difacross different countries, dif-ferent computer kit, and under an unpredictable variety of government laws and regulations

"Long experience in inter-national operations gives us an edge over the newcomers," he

On a less grand scale, many the "strategie" decisions made by major companies cen-tre on e database environment. or the choice of an "inte-grated" applications environ-ment. This has become e management concern, rather than a purely technical matter. The traditional "mainline"

CAP, Logica, SDL, Hoskyns, and BIS, have always stressed management as the key to successful computer implementa-tion, but they are now facing competition from the large eccountancy firms. Many computer companies

back up consultancy services with structured design methodo-

complained that the audit firms "charged the earth for comparative database studies—about £100,000—then left the client to make the final decision and

In the meantime the traditional consultancies can still capitalise on their technical background. Nick Blakeney Edwards, of Hoskyns, draws a clear distinction between the various types of services: "We see ourselves as field-of-play, rather than touchline advisers. The difference between the Big Eight and ourselves is that we are doing all the things we advise ourselves.

"That's a strength, but it's also a disadvantage in that we work hard to maintain independence on the services side from our products; we would never survive if the clients thought they were not getting dispassionate advice."

"Lack of implementation experience" is a charge which many of the traditional consultancies make about the audit firms. Most do not believe that the accountancy firms can truly separate their long-term strategy studies from audit business, nor impartial edvice.

"We do not believe that the large II' consultancies could come up with a radical or novel computer solution for fear of rocking the audit boat," says Mike Broddle of DCE Computer computer consultancies, such as CAP, Logica, SDL, Hoskyns, customers as Royal Dutch and BIS, have always stressed Shell, and now has branches in New York, and the UK, where it is researching the effective-ness of information manage-ment in a joint project with the Cranfield Institute. Last month, the possible con-flict of interests between the

auditing and consultancy in the large accountancy was raised in a consultative document pub-lished by the Department of Trade and Industry in the wake of EEC directives. It is likely to broaden the discussion, and if the DTI finds

it may well force the firms to lop off their consultancy arms. In the US, a similar enquiry is proceeding under Justice Dingell, but few have hopes of prompt conclusion. The Big Eight are capable of

lusty defence, especially when charged with inexperience by the computer specialists. "No-one's been in the aoftware siness longer," saya David Andrews, a partner at Arthur Andersen. "We've been implementing systems since 1957, so it's ill-informed and resumptuous to suggest we are experienced. As for the audit

business giving us an unfair advantage, we see it as neutral: between 5 per cent and 10 per cent of our business comes from the audit side. People come to us because of the breadth of

have industry-related skills, and we tackle business problems." The hard sell used by con-sultants is that they, with their specific computer expertise, can tell a company more about its computer operations than the company itself has time to find

DCE: "Increasing,",
tion systems and technology
needs to be directly supportive
corporation's business of a corporation's business strategy. Our duty is to make sure that computer services are directly associated with the business, to make it more effective, more competitive, and possible, more profit-

Margaret Coffey



red in various departments, now operate in a centralis Dictaphone centralised word processing system to be productivity

Micro-mainframe links

There are no magic solutions

TO THE untutured, the task says Richard Dearmun, com-of linking a microcomputer on mercial manager at dealer First a manager's deak to the com-pany mainframe might not look wards and forwards is very, very daunting; the exchange of very difficult."

Regume paramal computers information is, after all, what computers are all ebout. Add to that the fact that there are numerous products that adverto see where the difficulty lies. But although such products have been around for some three years now, it is still e confused market, with the result that many companies are still finding that forging links between their micros and their

mainframes is something that is easier said than done. "At the moment only about 25 per cent of the market is genuinely extracting data and using it in local applications.
It's e long, hard road," says Dr
Stephen Norman, managing
director of Direct Technology, a company whose Automator product is designed to simplify micro-to-mainframe links. "The biggest problem is not the technology, but getting people to use it because they find it bewildering."

The reason for this is fairly traightforward. "Connecting

two pieces of equipment to-kether is very, very simple,"

straightforward.

Because personal computers the data processing scene, the information technology strateinformation technology strate-gies that have evolved at many companies are not designed to comfortably accommodate them. As a result, the users who want the information often find that instead of the simple press

of a key that they imagined a considerable effort is involved. Even when the data arrives it often comes in an unfamiliar form because when the system processing (DP) departments, many of which are wary of micro to mainframe links because they do not want to lose control of the information resi-

dent in the mainframe and because they see them eating up a lot of precious processing time. If a company uses equipment from e variety of manufacturers the problems can be mind-hosping mind-boggling. The companies that supply micro to mainframe links have

come up with a host of products

lems. "Everyone's getting in priority, have come up with on the act," comments David more sophisticated products Flint, principal consultant at that aim to do some of that information technology con-sultancy Butler-Cox, "The data

processing department has to cut its way through a lot of possibilities."

But unfortunately for the purchaser, the term micro-to-mainbrame link covers a multi-tude of products, some of which have about as much in common as a higgele and a Bolle Boyre as a bicycle and e Rolls Royce. At the most basic end of the spectrum are the devices that make a mainframe computer think that a PC is one of its own terminals. On their own, these are not much use to a user who wants to put information held on a file on the mainframe onto his spreadsheet because they do not deliver the information in a

familiar form. The next step up file transfer packages, which actually move files down to the PC, but since those files were designed for maintrames they may not be of much use to the

Products that fall into those categories are likely to require a good deal of work from the DP department to put information into a usable form for the antique.

priority, have come up with Douglas Information Systems Products such as the Answer Series from Sterling Software International and FQS

International and FQS
(Friendly Query System) from
Thorn Emi Computer Software
fall into this category. There is a further division within these groups. Some products, such as Goldengate from Cullinet and Expert Link from MSA, only work with

Those products tend to be mainly concerned with getting information from the main-frame to the PC. Another group has been designed to move data from PCs onto the mainframe. Based on the notion of a "virtual

disk," products such as Tempus Link create what looks to the fact, a file on the mainframe. "It gives you much more flexibility," says John Paton, UK marketing manager for Thorn Emi Computer Software.

It gives you more drives on your PC and it allows data to be shared by other people." the end-user. Suppliers, aware Other companies, that friendliness is becoming a ing this method.

for instance, has used it in its new product, RealLink, de-signed to connect IBM PCs or close equivalents to its mainframes

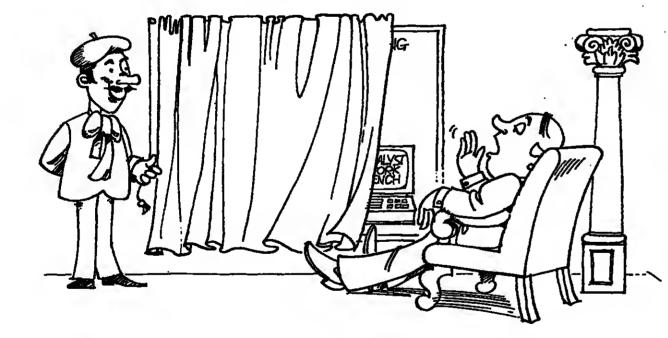
None of these products provide magic solutions. "It's a case of linking building blocks to provide comprehensive solu-tions," says Bruce Coward, chairman of Computer Marketing Associates, a company that specialises in communications.

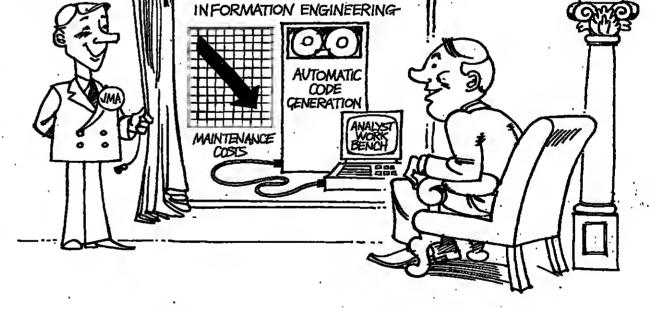
DP departments which want to hook up micros after the fact have got to decide how much effort they are willing to invest before they select a pro-duct. And when it comes down to it, the dictates of their sys-tem may well mean that despite the large number of products available there is not a lot to choose from.

"We didn't have a greet deal of choice because most of the products were not what we wanted," says Neil Rogers, systems manager at pharmaceuti-cals company Warner Lambert. "Most of them wanted the MIS department to do a lot of work which sort of defeated the pur-pose of getting e micro to main-

Claire Gooding

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hardware, response times still remain a problem. Consequently, the escalaring cost of people and paper contrives to mean that performance problems will never go away. The environments that JMA look at now applicate that a

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